

Registration number: 13039768

Rolls-Royce SMR Limited

Annual Report and Financial Statements
for the Year Ended 31 December 2025

Rolls-Royce SMR Limited

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Rolls-Royce SMR Limited

Company Information

Directors	Faisal Al-Thani Craig Askew Sean Benson Nicola Grady-Smith Silvana Jirotková Stephen Lovegrove Anna Mascolo Tomáš Pleskač Maria Varsellona
Company secretary	Maria Theodora Yianni
Registered number	13039768
Registered office	C/O Rolls-Royce Plc Moor Lane Derby Derbyshire United Kingdom DE24 8BJ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Rolls-Royce SMR Limited

Strategic Report for the year ended 31 December 2025

The Directors present their Strategic Report on Rolls-Royce SMR Limited (the Company) together with the Directors' Report and the audited Financial Statements for the year ended 31 December 2025.

Principal activities

The principal activities of the Company are nuclear engineering and the design, development and future deployment of small modular reactors (SMRs).

Business review

The Company recorded a loss before taxation of £228,644,000 (2024: £115,095,000). The loss is driven by research and development (R&D) expenditure of £193,871,000 (2024: £150,950,000) and administrative expenses of £75,167,000 (2024: £56,225,000). The costs are partly offset by other income from government grants and accrued R&D tax credits of £33,716,000 (2024: £86,905,000).

The increase in research and development expenditure is in line with the increase in engineering employees developing the SMR design as the Company continues to progress through the Generic Design Assessment (GDA) process to Step 3.

As at 31 December 2025, the Company had net assets of £184,424,000 (2024: £18,044,000). The increase is predominantly due to investment from existing and new shareholders during the year.

In April 2026, the Company entered into a contract with Great British Energy-Nuclear (GBE-N) to commence site-specific design and early works activities for the UK's first small modular reactors. Loan financing of up to £599 million to support the deployment of small modular reactors was also secured from the National Wealth Fund. This was followed by the signing of an Early Works Contract with ČEZ, a. s. to progress preparatory development activities for a proposed SMR deployment in the Czech Republic. Furthermore, in June 2026 the Company was selected by Västervik Kraft to deliver SMRs for a new nuclear power project in Sweden.

Key performance indicators

Given the nature of the Company's activities in 2025, the Directors believe that key performance indicators are not necessary or appropriate in understanding the Company's specific development, performance, or the position of the business.

Principal risks and uncertainties

The Company has an established and structured approach to risk management. Principal risks are owned by one or more of the Executive Leadership Team. Risks are subject to a review by the Executive Leadership Team on a quarterly basis ahead of a review by the Board or a Board Committee. Risks are managed in relation to achieving target risk appetite or beyond. The actions needed to achieve or maintain target positions are also actively managed.

The principal risk recognised by the Directors is not being able to demonstrate the ability to deliver a competitive product to customers and marketplace on cost and schedule. To mitigate this risk, the Company is investing, partnering, and innovating to mobilise the supply chain and further enhance financial and operational resilience, including managing the increasing cyber threats to ensure effective delivery and avoid disruption.

As the Company progresses through 2026, the increasing focus is on building further the pipeline of deployments and initial mobilisation for UK and Czech Republic early phase work, alongside other key objectives such as the GDA Step 3 completion.

Rolls-Royce SMR Limited

Strategic Report (continued) for the year ended 31 December 2025

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole.

The Company's key stakeholders are its employees, customers and suppliers worldwide. The Directors believe that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a)-(f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2025.

The Directors consider business relationships with the Company's wider stakeholders; the impact of Company operations on the environment and communities in which it operates is embedded in all Company decision-making and risk assessment made throughout the year. The Company is aware of its impact on the community and the environment and the need to maintain high standards of business conduct. The Company complies and acts in accordance with its key policies, including Sustainability, Health Safety and Environment, Human Rights and Compliance, through the Company's Integrated Management System.

The likely consequences of any decision in the long term

The Board of Directors (the Board) fulfils its duties to act in good faith to promote the success of the Company through its implementation of its Strategic Plan. The Board has defined the vision of the Company as 'Clean Affordable Energy for All' with its mission to create a world class enduring enterprise to design and deploy a global fleet of standardised and investible nuclear power stations.

The Board ensures that priorities and initiatives feed directly into one or more of the following fundamental strategic goals: (1) design the power station; (2) build the power station; (3) deliver a fleet of SMRs; and (4) grow the business. The Board reviews and considers the various stakeholders of the Company when arriving at recommended business decisions consistent with the strategy.

During the year, the Directors considered the Company's strategic direction. This in turn creates the long-term value for shareholders, recognising that the longer-term success of the business depends on the effects of the SMR business activities on a wider society. During the year, the Board discussions focused on strategies to grow the business. Examples of Board decisions during 2025 include:

- review of the Company's operational structure to ensure the organisational model is fit for the future;
- approval of the Company's funding position and strategy both in the near and longer term;
- approval of key policies and procedures;
- welcoming of ČEZ Group (ČEZ) as a shareholder of the Company;
- approval of the Great British Energy-Nuclear (GBE-N) tender submission; and
- frequent discussion on market dynamics, and the changing status of key customer contact opportunities.

The interests of the Company's employees

The Directors recognise that the success of the business depends on attracting, retaining and motivating talented people. The Directors consider and assess the implications of decisions on the Company's employees, where relevant and feasible. The Directors seek to ensure that the Company remains a responsible employer, including with respect to pay and benefits, health and safety issues and the workplace environment.

The Company invests in training and coaching, and the personal development of its employees is a key pillar of the Company's strategy.

Rolls-Royce SMR Limited

Strategic Report (continued) for the year ended 31 December 2025

Section 172(1) statement (continued)

The interests of the Company's employees (continued)

The Board has also considered initiatives during 2025, including a review of roles, remuneration and incentives against the current market indicators for fair and competitive remuneration packages for all employees and their roles.

Examples of the Board's engagement with employees during 2025 include:

- requesting that all employees participate in an online culture survey to help in the assessment of employees' concerns and aspirations;
- reviewing feedback from regular communication sessions held with all employees; and
- reviewing salary scales and benefit provisions to ensure that there is an agreed framework for reward and recognition for all employees and ensure these are benchmarked with relevant external comparators.

The need to foster the Company's business relationships with suppliers, customers and others

Delivering our strategy requires a strong, mutual and beneficial relationship with suppliers, customers, governments and joint venture partners. The Directors receive updates on engagement at Board meetings.

In making decisions the Board considers outcomes from engagements with stakeholders as well as the importance of maintaining the Company's integrity, brand and reputation.

Examples of the Board's engagement with suppliers, customers and others during 2025 include:

- receiving regular updates and feedback from supplier and customer opportunities to assist in decision making regarding customer focussed initiatives, priorities and partnerships; and
- supporting executives with Government-led discussions.

The impact of the Company's operations on the community and the environment

The Company has sustainability and environmental goals firmly embedded in its culture and strategy. The Board recognises the relevance of leading the Company in such a way that it contributes to wider society.

Social impact has become an increasing focus for the Company in 2025, particularly in relation to the social value commitments made in the successful bid to be GBE-N's SMR Technology Partner. In preparation for this, the Company's apprenticeship programme re-started with the recruitment of 12 apprentices into roles across the business, underlining the Company's commitment to build skills capability and capacity for the nuclear workforce. The Company's focus on outreach into local communities continued to develop in the year. The Company partnered with voluntary sector organisations such as Equal Engineers, Developing Experts and Energus to support careers, mentoring and work experience opportunities, and the Company's growing Science, Technology, Engineering, Mathematics (STEM) Ambassador Network continued to engage and inspire young people in STEM subjects and the world of work.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Board reviewed and approved the Company's ethics and compliance frameworks. This, in conjunction with the Board monitoring compliance with governance standards, helps to ensure that Board-level decisions and decisions of the executive team promote high standards of business conduct. Our Code of Conduct ensures high standards are approved and communicated throughout the Company.

The need to act fairly between members of the Company

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of the Company strategy through the long term, taking into consideration the effect on the Company's stakeholders.

Rolls-Royce SMR Limited

Strategic Report (continued) for the year ended 31 December 2025

Streamlined Energy and Carbon Reporting (SECR)

The Directors fully recognise their responsibility to have regard to the impact of the Company's operations on the community and environment, including other transitional commitments. The SECR disclosure presents the Company's carbon footprint within the United Kingdom, across scope 1, 2 and 3. An appropriate intensity metric has been utilised to determine the energy use and greenhouse gas emissions during the relevant financial years.

The information outlined in the tables below relates to the energy consumption and greenhouse gas emissions for the UK operations of the Company.

2025 Energy Use and Greenhouse Gas Emissions

	Energy (kWh)	Emissions (tCO ₂ e)
Scope 1: Gas combustion	208,685	38.2
Scope 2: Purchased electricity (location-based approach)	375,807	66.5
Scope 2: Purchased electricity (market-based approach)	N/A	5.4
Scope 3: Business travel	22,314	6.7
Total (location-based)	606,806	111.4
Total (market-based)	N/A	50.3
Total emissions intensity: tCO ₂ e per FTE (location-based)		0.12
Total emissions intensity: tCO ₂ e per FTE (market-based)		0.06

2024 Energy Use and Greenhouse Gas Emissions

	Energy (kWh)	Emissions (tCO ₂ e)
Scope 1: Gas combustion	170,920	31.3
Scope 2: Purchased electricity (location-based approach)	246,918	51.1
Scope 2: Purchased electricity (market-based approach)	N/A	14.0
Scope 3: Business travel	21,245	6.4
Total (location-based)	439,083	88.8
Total (market-based)	N/A	51.7
Total emissions intensity: tCO ₂ e per FTE (location-based)		0.11
Total emissions intensity: tCO ₂ e per FTE (market-based)		0.07

In both 2024 and 2025, business travel relates to rail, air and car transportation. This includes fuel used in hire cars or employee-owned vehicles for which the organisation reimburses its employees.

An emissions intensity ratio is included in the tables above, in line with SECR requirements. The Company has selected 'tonnes of carbon dioxide equivalent (tCO₂e) per Full Time Equivalent (FTE)' as its intensity metric as the Company was in a pre-contract phase in both 2024 and 2025, meaning revenue-based metrics would be volatile and less representative of operational efficiency. An FTE-based metric provides a more stable and meaningful basis for year-on-year comparison as the business grows.

Rolls-Royce SMR Limited

Strategic Report (continued) for the year ended 31 December 2025

Streamlined Energy and Carbon Reporting (SECR) (continued)

The Company's reported energy consumption and greenhouse gas emissions have increased during the reporting period. This increase primarily reflects changes in business activity and improved data quality, rather than a deterioration in energy or carbon performance, driven by the following factors:

- Increased workforce and office utilisation: growth in employee numbers and higher office occupancy have led to greater use of heating, electricity, and other building services;
- Business travel: increased in-person collaboration to support commercial and business development activities has resulted in higher levels of business travel and associated emissions; and
- Improved data capture and reporting: enhancements to data collection and tracking processes have resulted in a more complete and accurate emissions profile, supporting greater transparency and continuous improvement in carbon and energy reporting.

Methodology

Greenhouse Gas Emissions

Emissions have been calculated and reported in accordance with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard¹, Corporate Value Chain (Scope 3) Standard², and Government Environmental Reporting Guidelines³. These calculations use the appropriate Government emission conversion factors for greenhouse gas company reporting⁴.

As per the GHG Protocol Corporate Standards, the Company has implemented dual reporting for Scope 2 emissions. This involves using both the location-based and market-based methods. The location-based method reflects the average emissions intensity of the grids on which energy consumption occurs using the appropriate Government emissions factors⁴. The market-based method reflects emissions from the specific electricity sources that are intentionally selected.

Energy Consumption

Total energy consumption for electricity and gas is determined using metered consumption data and supplier invoices.

Energy consumption associated with business travel by car is estimated using mileage data collated from the Company's expense management system. Mileage is converted to estimated fuel consumption using appropriate vehicle efficiency assumptions and then converted to energy consumption (kWh) using the net calorific value of petrol⁴, in line with UK Environmental Reporting Guidelines.

¹ <https://ghgprotocol.org/corporate-standard>

² <https://ghgprotocol.org/corporate-value-chain-scope-3-standard>

³ <https://assets.publishing.service.gov.uk>

⁴ <https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>

Rolls-Royce SMR Limited

Strategic Report (continued) for the year ended 31 December 2025

Streamlined Energy and Carbon Reporting (SECR) (continued)

Energy Efficiency Actions

During the reporting period, the Company has continued to identify and implement opportunities to improve energy efficiency and reduce emissions. Actions taken include:

- Renewable energy: the Company's Manchester, Warrington and Derby offices are supplied with electricity supported by 100% renewable electricity certification;
- Improved data capture and energy management: the Manchester office has been integrated into the Building Management System (BMS), with associated sub-metering to enable improved monitoring of electricity consumption and more effective energy management;
- Procurement of energy efficient monitors across all offices;
- Revised travel policy and guidance: the Company has implemented an updated travel policy and guidance for business travel that encourages virtual meetings where appropriate and the use of low carbon travel options such as public transport or shared travel;
- Employee training: new environmental awareness training released as part of mandatory training; and
- Employee engagement campaigns: ongoing employee engagement campaigns raise environmental awareness, including events such as World Environment Day, Earth Day, Cycle September, Zero Emissions Day.

Impact of inflation

The Company continues to monitor inflation across the UK and broader worldwide markets; the Company is confident that plans are in place to mitigate the impact of any increases, by recovering incremental costs, where possible and by working with suppliers to minimise the impact and to source alternatives where appropriate.

Approved by the Board on 17 August 2026 and signed on its behalf by:

Signed by:

7DF6420393D445A

Stephen Lovegrove
Director

Rolls-Royce SMR Limited

Directors' Report for the year ended 31 December 2025

The Directors present their report, together with the Strategic Report and the audited Financial Statements for the Company for the year ended 31 December 2025.

Directors

The Directors who held office during the year and up to the date of signing the Annual Report and Financial Statements were as follows:

Jorge Acevedo (resigned 4 December 2025)
Faisal Al-Thani
Craig Askew (appointed 1 April 2026)
Sean Benson
Neil Fleming (resigned 1 April 2026)
Nicola Grady-Smith (appointed 1 April 2026)
Dominic Horwood (resigned 1 April 2026)
Silvana Jirotková (appointed 7 July 2025)
Stephen Lovegrove
Anna Mascolo
William Morris (resigned 1 April 2026)
Tomáš Pleskač (appointed 4 March 2025)
Adam Riddle (resigned 30 June 2025)
Maria Varsellona (appointed 1 April 2026)

Qualifying third-party indemnity provisions

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors, which were in place during the year and remain in force at the date of the approval of this Annual Report and Financial Statements.

Results and dividends

The loss after taxation for the year ended 31 December 2025 amounted to £219,183,000 (2024: loss of £116,682,000).

The Directors do not recommend the payment of a dividend (2024: £nil).

Future developments

The Directors expect to continue to progress the development and deployment of the SMR design.

Research and development

During the year the Company incurred costs of £193,871,000 (2024: £150,950,000) on research and development and recognised accrued R&D tax credits of £18,553,000, comprising £7,550,000 in relation to the year ended 31 December 2024 and £11,003,000 for the year ended 31 December 2025.

Financial risk management

The Company has an established, structured approach to risk management. The following financial risks are considered key by the Directors:

Credit risk

The Company's credit risk is primarily attributable to its amounts held with financial institutions. These funds are held in low-volatility liquidity funds, designed for cash management purposes. Accordingly, the overall credit risk exposure of the Company is considered low.

Interest risk

Cash balances are held at floating interest rates and the Company is therefore exposed to movements in interest rates; however, this exposure is not considered material.

Rolls-Royce SMR Limited

Directors' Report for the year ended 31 December 2025 (continued)

Going concern

The Financial Statements have been prepared on a going concern basis. The Directors consider that the Company will have sufficient financial resources to meet its obligations for the foreseeable future, that is, at least, 12 months from the date of approval of these Financial Statements.

In forming this judgement, the Directors have taken account of the current and forecast trading performance of the business for the period to 31 December 2027, including taking account of reasonably possible changes in trading performance, the likely performance of the business following the signature of GBE-N and ČEZ contracts and loan financing of up to £599 million secured from the National Wealth Fund. Forecasts indicate that the business will have sufficient cash funds throughout the forecast period.

As part of the going concern assessment, the Directors have reviewed a severe but plausible downside scenario, including cost increases due to supply chain challenges, and the removal of assumed proceeds from expected but, as yet, unsecured future funding. In place of this funding, mitigating actions are available to the Directors, including the utilisation of alternative contracted facilities.

After considering the factors set out above, the Directors have concluded that the Company will continue to be able to meet its liabilities as they fall due and continue in operational existence for the foreseeable future, that is, at least 12 months from the date of approval of these Financial Statements. Accordingly, the Directors believe that it continues to be appropriate to prepare these Financial Statements on a going concern basis.

Post balance sheet events

In April 2026 the Company signed a contract with Great British Energy-Nuclear (GBE-N) to commence site-specific design and early works activities for the UK's first small modular reactors. Loan financing of up to £599 million to support the deployment of small modular reactors was also secured from the National Wealth Fund. This was followed by the signing of an Early Works Contract with ČEZ, a. s. to progress preparatory development activities for a proposed SMR deployment in the Czech Republic. Furthermore, in June 2026 the Company was selected by Videberg Kraft to deliver SMRs for a new nuclear power project in Sweden.

Employees

There are regular and topical engagements with employees through structured programmes, including:

- Let's Talk Forum - regular meetings with employee representatives and the executive: this is a consulting and informing body where the executives engage with employees on key topics;
- Regular meetings with all employees and the executive team: this forum enables engagement with all employees on activities; and
- There is also an Annual Employee Engagement Survey which engages with all employees and a Pulse Survey which is completed twice a year, testing key themes through employee focus groups.

The Company wants all employees to be at their best. There is a responsibility on the Company to create an inclusive culture, free from bullying and harassment, where everyone is treated with dignity and respect. There is a duty of care to the Company's people, which includes workplace adjustments that will create a better work experience for anyone who is unable to effectively perform their role due to a disability or other condition.

The Workplace Adjustments policy enables the business to support those with disabilities, whether new starters or existing employees with a newly acquired disability. The Workplace Adjustments policy is available to all employees on the Company's intranet.

Rolls-Royce SMR Limited

Directors' Report for the year ended 31 December 2025 (continued)

Employees (continued)

The application process for all candidates carries the following statements in relation to the Company's culture and recruitment process:

"At Rolls-Royce SMR, we are committed to ensuring that our teams reflect the communities we serve and that everyone can be themselves at work. We know that diverse teams are more innovative and get better results, and that our people can thrive and be more successful in truly inclusive cultures. Join us and help shape our culture."

The Company can accommodate reasonable adjustments at interview in line with the Company's Reasonable Adjustments policy and issue all new starters with a voluntary survey to help understand the diversity of the Company's people; new starters are asked to declare whether they consider themselves disabled.

The Company works towards an inclusive culture for career development and would make reasonable adjustments to aid disabled candidates.

Engagement with suppliers, customers, and others

The Company aims to foster enduring relationships with its stakeholders as identified in the Section 172 statement in the Strategic Report (see pages 3 to 4).

Political donations

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

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of Directors' Responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with International Financial Reporting Standards as adopted by the United Kingdom, and applicable law.

Under company law, Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

Rolls-Royce SMR Limited

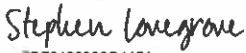
Directors' Report for the year ended 31 December 2025 (continued)

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 17 August 2026 and signed on its behalf by:

Signed by:

TDF6420393D445A

Stephen Lovegrove
Director

Rolls-Royce SMR Limited

Independent auditors' report to the members of Rolls-Royce SMR Limited Report on the audit of the financial statements

Opinion

In our opinion, Rolls-Royce SMR Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2025 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (*Annual Report*), which comprise:

- the Statement of Financial Position as at 31 December 2025;
- the Income Statement for the year then ended;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Cash Flow Statement for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Rolls-Royce SMR Limited

Independent auditors' report to the members of Rolls-Royce SMR Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Rolls-Royce SMR Limited

Independent auditors' report to the members of Rolls-Royce SMR Limited (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK corporation tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results. Audit procedures performed by the engagement team included:

- Enquiries with management and those charged with governance, including consideration of any known or suspected instances of non-compliance with laws and regulations including fraud;
- Reviewing minutes of meetings of the Board of Directors and its committees;
- Enquiries with the company's in-house General Counsel in regards to any known or suspected instances of non-compliance with laws and regulations including fraud;
- Challenging assumptions and judgements made by management in determining accounting estimates (because of the risk of management bias);
- Identifying and testing unusual journal entries, in particular journal entries posted with unusual account combinations;
- Review of company related matters reported through the Rolls-Royce group whistleblowing facility; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our audit testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Rolls-Royce SMR Limited

Independent auditors' report to the members of Rolls-Royce SMR Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company or returns adequate for our audit have not been received from branches not visited by us; or
- the company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.



Terry Shah (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 August 2026

Rolls-Royce SMR Limited

Income Statement for the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Revenue	3	1,597	-
Cost of sales		<u>(1,138)</u>	<u>-</u>
Gross profit		459	-
Administrative expenses		(75,167)	(56,225)
Research and development expenses		(193,871)	(150,950)
Other income	4	<u>33,716</u>	<u>86,905</u>
Operating loss	5	(234,863)	(120,270)
Finance income	9	6,557	5,224
Finance costs	10	<u>(338)</u>	<u>(49)</u>
Loss before taxation		(228,644)	(115,095)
Income tax credit/(expense)	11	<u>9,461</u>	<u>(1,587)</u>
Loss for the financial year		<u>(219,183)</u>	<u>(116,682)</u>

The above results were derived from continuing operations.

The notes on pages 22 to 42 form an integral part of these Financial Statements.

Rolls-Royce SMR Limited

Statement of Comprehensive Income
for the year ended 31 December 2025

	2025 £'000	2024 £'000
Loss for the financial year	(219,183)	(116,682)
Total comprehensive expense for the year	(219,183)	(116,682)

The notes on pages 22 to 42 form an integral part of these Financial Statements.

Rolls-Royce SMR Limited

Statement of Financial Position as at 31 December 2025 (Registration number: 13039768)

	Note	Year ended 2025 £'000	Year ended 2024 £'000	Transition 1 January 2024* £'000
Non-current assets				
Intangible assets	12	1,745	123	207
Property, plant and equipment	13	2,911	2,860	2,534
Right-of-use assets	14	930	1,014	1,023
Customer incentive prepayments	15, 16	51,786	-	-
Deferred tax assets	11	14,614	-	435
		71,986	3,997	4,199
Current assets				
Cash and cash equivalents		148,536	12,467	8,616
Trade and other receivables	16	24,603	62,933	111,514
Contract assets	17	6	-	-
Other financial assets		83	51	-
		173,228	75,451	120,130
Current liabilities				
Lease liabilities	18	(417)	(329)	(254)
Trade and other payables	19	(55,309)	(58,334)	(39,971)
Contract liabilities	17	(221)	-	-
Other financial liabilities		(10)	(26)	-
		(55,957)	(58,689)	(40,225)
Total assets less current liabilities		189,257	20,759	84,104
Non-current liabilities				
Lease liabilities	18	(512)	(691)	(761)
Trade and other payables	19	(3,821)	(2,024)	(2,133)
Provisions				
Deferred tax liabilities	11	(500)	-	-
Net assets		184,424	18,044	81,210

*See note 26 'First time adoption of IFRS'

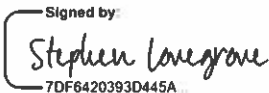
Rolls-Royce SMR Limited

Statement of Financial Position (continued)
as at 31 December 2025
(Registration number: 13039768)

	Note	Year ended 2025 £'000	Year ended 2024 £'000	Transition 1 January 2024* £'000
Equity				
Called up share capital	21	1,058	780	727
Share premium		664,840	279,603	228,183
Accumulated losses		(481,474)	(262,339)	(147,700)
Total equity		184,424	18,044	81,210

*See note 26 'First time adoption of IFRS'

The Financial Statements were approved and authorised for issue by the Board on 17 August 2026 and were signed on its behalf by:

Signed by:

7DF6420393D445A

Stephen Lovegrove
Director

The notes on pages 22 to 42 form an integral part of these Financial Statements.

Rolls-Royce SMR Limited

Statement of Changes in Equity for the year ended 31 December 2025

	Note	Called up share capital £'000	Share premium £'000	Accumulated losses £'000	Total Equity £'000
At 1 January 2025		780	279,603	(262,339)	18,044
Total comprehensive expense		-	-	(219,183)	(219,183)
Shares issued under customer incentive arrangements	15	-	52,191	-	52,191
Transactions with owners in their capacity as owners					
Proceeds from shares issued		274	328,050	-	328,324
Share issues for services rendered	21	4	4,996	-	5,000
Share-based payment transactions	20	-	-	48	48
At 31 December 2025		1,058	664,840	(481,474)	184,424

	Note	Called up share capital £'000	Share premium £'000	Accumulated losses £'000	Total Equity £'000
At 1 January 2024 - transition*		727	228,183	(147,700)	81,210
Total comprehensive expense		-	-	(116,682)	(116,682)
Transactions with owners in their capacity as owners					
Proceeds from shares issued		35	33,373	-	33,408
Share issues for services rendered	21	18	18,047	-	18,065
Share-based payment transactions	20	-	-	2,043	2,043
At 31 December 2024		780	279,603	(262,339)	18,044

*See note 26 'First time adoption of IFRS'

Share premium

This represents proceeds received in excess of the nominal value of ordinary shares issued, less the costs of issue of £6,715,000 (2024: £1,592,000).

The notes on pages 22 to 42 form an integral part of these Financial Statements.

Rolls-Royce SMR Limited

Cash Flow Statement for the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Net cash outflow from operating activities	24	(195,602)	(31,567)
Cash flows from investing activities			
Purchase of intangible assets		(1,966)	(10)
Purchase of property, plant and equipment		(1,419)	(1,334)
Interest received		5,635	4,163
Net cash from investing activities		2,250	2,819
Cash flows from financing activities			
Cash proceeds from issue of shares		335,037	35,000
Cost of shares issued paid		(5,225)	(2,032)
IFRS 16 leases – capital element		(326)	(288)
IFRS 16 leases – interest element		(65)	(81)
Net cash from financing activities		329,421	32,599
Net increase in cash and cash equivalents		136,069	3,851
Cash and cash equivalents at the beginning of the year		12,467	8,616
Cash and cash equivalents at the end of the year		148,536	12,467
Cash and cash equivalents at the end of year comprise:			
Cash at bank and in hand		148,536	12,467

The notes on pages 22 to 42 form an integral part of these Financial Statements.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

1 General information

The Company is a private company, limited by shares and incorporated, registered and domiciled in the East Midlands, United Kingdom.

The principal activities of the Company are nuclear engineering and the design, development and future deployment of small modular reactors.

The address of its registered office is C/O Rolls-Royce plc, Moor Lane, Derby, Derbyshire, DE24 8BJ.

2 Material accounting policies

The material accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these Financial Statements.

Basis of preparation

The Financial Statements of the Company have been prepared in accordance with UK-adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006 and interpretations issued by the IFRS Interpretations Committee applicable to companies reporting under UK-adopted IFRS. Details around the transition from FRS 101, which was previously used by the Company, to IFRS can be found in note 26.

The Financial Statements have been prepared on a going concern basis as described in the Going concern section below. The historical cost basis has been used except where IFRS require the revaluation of financial instruments to fair value and certain other assets and liabilities on an alternative basis.

The Financial Statements are presented in pounds sterling which is the Company's functional currency.

The preparation of the Financial Statements requires management to make judgements and estimates that affect the statutory amounts of assets and liabilities at the date of the Financial Statements and the statutory amounts of revenue and expenses during the reporting period. Actual future outcomes could differ from those estimates.

New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, no new standards or IFRIC interpretations that are effective for the year ended 31 December 2025 that had a material impact on the Company's Financial Statements.

Going concern

The Financial Statements have been prepared on a going concern basis. The Directors consider that the Company will have sufficient financial resources to meet its obligations for the foreseeable future, that is, at least, 12 months from the date of approval of these Financial Statements.

In forming this judgement, the Directors have taken account of the current and forecast trading performance of the business for the period to 31 December 2027, including taking account of reasonably possible changes in trading performance, the likely performance of the business following the signature of GBE-N and ĆEZ contracts and loan financing of up to £599 million secured from the National Wealth Fund. Forecasts indicate that the business will have sufficient cash funds throughout the forecast period.

As part of the going concern assessment, the Directors have reviewed a severe but plausible downside scenario, including cost increases due to supply chain challenges, and the removal of assumed proceeds from expected but, as yet, unsecured future funding. In place of this funding, mitigating actions are available to the Directors, including the utilisation of alternative contracted facilities.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

2 Material accounting policies (continued)

Going concern (continued)

After considering the factors set out above, the Directors have concluded that the Company will continue to be able to meet its liabilities as they fall due and continue in operational existence for the foreseeable future, that is, at least 12 months from the date of approval of these Financial Statements. Accordingly, the Directors believe that it continues to be appropriate to prepare these Financial Statements on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements requires the use of certain critical estimates. It also requires management to exercise judgements in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are as follows:

Deferred tax assets

The recognition of deferred tax assets requires significant judgement, particularly in assessing whether it is probable that sufficient future taxable profits will be available against which deductible temporary differences and tax losses can be utilised. Management considers forecast taxable profits, the reversal of existing temporary differences and the applicable tax laws when determining the extent to which deferred tax assets are recognised.

The measurement of deferred tax balances involves estimation uncertainty, including the assumptions used in forecasting future taxable profits and the timing of reversal of temporary differences. These estimates are inherently uncertain and may be affected by changes in business performance, future transactions and tax legislation.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted where necessary to reflect the latest assessments of recoverability. Where it is no longer probable that sufficient taxable profits will be available, deferred tax assets are reduced accordingly.

Customer incentive prepayments

The accounting for customer incentive prepayments arising from First-of-a-kind (FOAK) arrangements requires judgement in determining the appropriate accounting treatment. FOAK arrangements relate to the Company's initial customer deployments and include incentive mechanisms linked to future revenue contracts.

Management has assessed whether these arrangements represent share-based payments or consideration payable to a customer and concluded that they are linked to future revenue contracts and should be accounted for by analogy to IFRS 15, with the equity element classified in accordance with IAS 32.

The measurement of customer incentive prepayments involves judgement in determining the fair value of the equity instruments at the date of issuance.

Foreign currency transactions and balances

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The Financial Statements are presented in pounds sterling, which is also the Company's functional currency.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

2 Material accounting policies (continued)

Foreign currency transactions and balances (continued)

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the Company at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on foreign exchange transactions and the retranslation of monetary items into functional currencies would be recognised in finance income and finance costs in the Income Statement.

Revenue recognition

Revenue is recognised over time and is stated at the cost appropriate to the stage of completion plus attributable profits, less amounts recognised in previous years. A five-step recognition model is used to apply the standard as follows: (1) identify the contract(s) with the customer; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognise revenue when (or as) each performance obligation is satisfied.

Research and development

Expenditure incurred on research and development is distinguished as relating either to a research phase or to a development phase. All research phase expenditure is charged to the income statement. Development expenditure is recognised as an internally generated intangible asset (programme asset) only if it meets strict criteria, relating in particular to technical feasibility and generation of future economic benefits.

More specifically, development costs are capitalised from the point at which the following conditions have been met:

- the technical feasibility of completing the programme and the intention and ability (availability of technical, financial and other resources) to complete the programme asset and use or sell it;
- the probability that future economic benefits will flow from the programme asset; and
- the ability to measure reliably the expenditure attributable to the programme asset during its development.

Government grants

Government grants received are recognised in the Income Statement so as to match them with the related expenses that they are intended to compensate. Grants related to income are presented as part of Other Income in the Income Statement.

Grants are recognised at their fair value where there is reasonable assurance based on current and past submissions of grant claims and approval thereof from the grant body that the grant will be received, and the Company will comply with all attached conditions.

Government grants relating to costs incurred are accrued within trade and other receivables if not received at the financial year end.

Finance income and costs

Interest receivable/payable is credited/charged to the income statement using the effective interest method.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

2 Material accounting policies (continued)

Income tax expense/credit

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised in equity or other comprehensive income is also recognised directly in equity or other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

Intangible assets

The cost of acquiring software that is not specific to an item of property, plant and equipment is classified as an intangible asset and amortised on a straight-line basis over its useful economic life, up to a maximum of five years.

Assets under construction are not amortised until the asset is available for use.

Property, plant and equipment

Property, plant and equipment assets are stated at cost less accumulated depreciation and any provision for impairment in value.

Depreciation

Land is not depreciated. Depreciation on other assets is provided on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment and right-of-use assets over their estimated useful lives.

<i>Asset class</i>	<i>Depreciation method and rate</i>
Plant and equipment	3 to 5 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

Impairment of non-financial assets

Impairment of non-current assets is considered in accordance with IAS 36 *Impairment of Assets*. Intangible assets that are not yet available for use are tested for impairment annually. Other intangible assets and property, plant and equipment are assessed for any indications of impairment annually. If any indication of impairment is identified, an impairment test is performed to estimate the recoverable amount. Where the asset does not generate cash flows that are independent of other assets, impairment is considered for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be below the carrying value, the carrying value is reduced to the recoverable amount and the impairment loss recognised as an expense. The recoverable amount is the higher of value in use or fair value less costs to sell if this is readily available. The value in use is the present value of future cash flows using a pre-tax discount rate that reflects the time value of money and the risk specific to the asset.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

2 Material accounting policies (continued)

Financial assets and liabilities

Classification

Financial assets primarily include trade receivables and cash and cash equivalents (comprising cash at bank). These financial assets are calculated as follows:

- Trade receivables are classified as held to collect and measured at amortised cost; and
- Cash and cash equivalents are subject to low market risk. Cash balances are measured at fair value through profit and loss (FVPL).

Financial liabilities primarily consist of trade payables and are classified and measured at amortised cost.

Borrowings are initially recorded at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Impairment

IFRS 9 *Financial Instruments* sets out the basis for the accounting of expected credit losses (ECLs) on financial assets and contract assets resulting from transactions within the scope of IFRS 15 *Revenue from Contracts with Customers*. The Company has adopted the simplified approach to provide for ECLs, measuring the lifetime loss allowance at a probability weighted amount that considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions of customers. These are incorporated in the simplified model adopted by using credit ratings which are publicly available or through internal risk assessments derived using customer's latest available financial information. When assessing the impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The ECLs are updated at each reporting date to reflect changes in credit risk since initial recognition. ECLs are calculated for all financial assets in scope, regardless of whether or not they are overdue.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, or in the normal operating cycle of the business if longer, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less any ECLs.

Contract assets and liabilities

Contract assets, mainly comprising accrued income, primarily relate to the Company's right to consideration for work completed but not yet invoiced at the reporting date in accordance with IFRS 15. Contract liabilities, mainly comprising deferred income, primarily relate to the consideration received from customers in advance of transferring goods or services.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

2 Material accounting policies (continued)

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments less any lease incentive receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for termination of the lease, if the lease term reflects the Company exercising that option.

Where leases commence after the initial IFRS 16 Leases transition date, the lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- amount of the initial measurement of lease liability or a revaluation of the liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Each right-of-use asset is depreciated over the shorter of its useful economic life and the lease term on a straight-line basis unless the lease is expected to transfer ownership of the underlying asset to the Company, in which case the asset is depreciated to the end of the useful life of the asset.

Payments associated with the short-term leases are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less, or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Share-based payments

The previous parent company, Rolls-Royce plc, provides on behalf of the Company share-based payment arrangements to certain employees. Further details around the parent company change can be found in note 22. These were equity-settled arrangements, until the Company became a joint venture when these became cash-settled arrangements, and are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant.

The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest, except where additional shares vest as a result of a market-based performance condition in the Performance Share Plan.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

2 Material accounting policies (continued)

Share-based payments (continued)

The costs of these share-based payments are treated as a capital contribution from the parent company. Any payments made by the Company to its parent company, in respect of these arrangements, are treated as a return of this capital contribution.

The fair values of the share-based payment arrangements are measured as follows:

- ShareSave plans - using the binomial pricing model; and
- Long term incentive plan - using a pricing model adjusted to reflect non-entitlement to dividends (or equivalent) and market-based performance conditions.

Customer incentive prepayments

Customer incentive prepayments arise from First-of-a-kind (FOAK) arrangements under which the Company issues equity instruments to customers contingent on the conclusion of future revenue contracts. Management has assessed that these arrangements are closely linked to revenue transactions and represent consideration payable to customers. As the Company does not receive identifiable goods or services in exchange for the equity instruments, the arrangements are not accounted for as share-based payments under IFRS 2.

In the absence of specific guidance, the Company has applied judgement in accordance with IAS 8 by analogy to the requirements of IFRS 15 and IAS 32. Equity instruments issued are classified within equity in accordance with IAS 32. The fair value of equity instruments issued is recognised, at the point the shares are issued, within equity with a corresponding amount recognised as a customer incentive prepayment within assets. Customer incentive prepayments are subsequently amortised as a reduction of revenue over the period in which the related performance obligations are satisfied, consistent with the pattern of transfer of goods or services to the customer.

Called up share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's shareholders.

Interim dividend distributions to the Company's shareholders are recognised as a liability in the Company's Financial Statements in the period in which the dividends are paid by the Company's shareholders.

Rounding of amounts

All amounts in the Financial Statements have been rounded to the nearest thousand Pounds Sterling unless otherwise stated.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

3 Revenue

A geographical analysis of revenue is presented as follows:

	2025 £'000	2024 £'000
Czech Republic	627	-
Sweden	970	-
	1,597	-

All revenue is generated from the sale of services.

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

	2025 £'000	2024 £'000
Design of SMR power stations	1,597	-
	1,597	-

4 Other income

	Note	2025 £'000	2024 £'000
Government grant funding		15,163	86,905
R&D tax credits		7,550	-
Other accrued income		11,003	-
		33,716	86,905

Other accrued income comprises R&D tax credits recognised in respect of qualifying expenditure incurred during the year, but where the related claims had not been submitted to HMRC at the reporting date.

The R&D tax credit for the comparative year of £4,896,000 was offset against R&D expenditure. The Directors do not consider it necessary to restate the comparative Income Statement for this.

The Company has received government grant funding from Innovate UK, a part of UK Research and Innovation, for the development of an SMR design.

5 Operating loss

Arrived at after charging:

	2025 £'000	2024 £'000
Amortisation charge on intangible assets ¹	344	94
Depreciation charge on property, plant and equipment ¹	1,368	1,008
Depreciation charge of right-of-use assets ¹	319	302
Research and development costs	193,871	150,950

¹ Recognised in administrative expenses.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

6 Staff costs

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

	Note	2025 £'000	2024 £'000
Wages and salaries		78,775	59,943
Social security costs		10,264	5,672
Other pension costs		6,723	5,845
Share-based payments	21	302	434
		96,064	71,894

The monthly average number of persons, including Directors, employed by the Company during the year was as follows:

	2025 No.	2024 No.
Salaried staff	872	714

7 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2025 £'000	2024 £'000
Remuneration	317	240

In respect of the highest paid Director:

	2025 £'000	2024 £'000
Aggregate of remuneration	250	200

The above details of directors' remuneration do not include the remuneration of those Directors who were paid by Rolls-Royce plc. Those individuals also act as a director for a number of Rolls-Royce subsidiaries, and it is not possible to make an accurate apportionment of their remuneration in respect of each subsidiary.

8 Auditors' remuneration

The fees for the audit of the Company Financial Statements for the year ended 31 December 2025 were £115,520 (2024: £74,000).

No (2024: £nil) amounts were paid to the Company's auditors for non-audit services.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

9 Finance income

	2025 £'000	2024 £'000
Foreign exchange gains	213	1,388
Interest receivable from group undertakings	516	3,836
Bank interest receivable	5,656	-
Other finance income	172	-
	<u>6,557</u>	<u>5,224</u>

10 Finance costs

	2025 £'000	2024 £'000
Foreign exchange loss	200	-
Interest charge on lease liabilities	65	81
Other finance costs	73	(32)
	<u>338</u>	<u>49</u>

11 Tax on loss

Tax (credited)/charged in the income statement:

	2025 £'000	2024 £'000
Current tax		
Expected tax on R&D tax credits	4,640	-
Adjustments in respect of prior years	-	1,152
Total current tax	<u>4,640</u>	<u>1,152</u>
Deferred tax		
Origination and reversal of timing differences	(14,114)	1,587
Adjustments in respect of prior years	13	(1,152)
Total deferred tax (credit)/charge	<u>(14,101)</u>	<u>435</u>
	<u>(9,461)</u>	<u>1,587</u>
Tax (credit)/charge in the income statement		
	<u>(9,461)</u>	<u>1,587</u>

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

11 Tax on loss (continued)

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

The differences are reconciled below:

	2025 £'000	2024 £'000
Loss before tax	(228,644)	(115,095)
Corporation tax at standard rate of 25% (2024: 25%)	(57,161)	(28,774)
Effects of:		
Income not taxable	(1,887)	(1,224)
Expenses not deductible for tax	2,471	4,184
Timing differences not recognised	(294)	-
Tax losses carried back	42,770	-
Expected tax on R&D tax credits	4,640	-
Deferred tax asset on losses not recognised	-	(1,333)
Tax de-grouping charge ¹	-	28,734
	(9,461)	1,587

¹ The tax de-grouping charge arises on the dilution of the shareholding in the Company, by its previous parent Rolls-Royce plc, to below 75%. See note 23 for details on change of parent.

OECD Pillar Two model rules

The Company is within the scope of the OECD Pillar Two (Global Minimum Tax) model rules, which came into effect from 1 January 2024. For the period to 31 December 2025, the Company has no related current tax exposure and has continued to apply the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Deferred tax

Deferred tax movement during the year:

	At 1 January 2025 £'000	Adjustments in respect of prior years £'000	Recognised in income statement £'000	At 31 December 2025 £'000	Recognised as deferred tax asset £'000	Recognised as deferred tax liability £'000
Losses	-	-	14,601	14,601	14,601	-
Fixed assets	-	-	(500)	(500)	-	(500)
R&D tax credits	-	13	-	13	13	-
Net tax assets	-	13	14,101	14,114	14,614	(500)

Deferred tax movement during the prior year:

	At 1 January 2024 £'000	Adjustments in respect of prior years £'000	Recognised in income statement £'000	At 31 December 2024 £'000	Recognised as deferred tax asset £'000	Recognised as deferred tax liability £'000
R&D tax credits	435	1,152	(1,587)	-	-	-
Net tax assets	435	1,152	(1,587)	-	-	-

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

12 Intangible assets

	Assets under construction £'000	Software £'000	Total £'000
Cost			
At 1 January 2025	-	288	288
Additions	1,121	845	1,966
Disposals	-	(104)	(104)
At 31 December 2025	1,121	1,029	2,150
Accumulated amortisation			
At 1 January 2025	-	165	165
Amortisation charge	-	344	344
Disposals	-	(104)	(104)
At 31 December 2025	-	405	405
Net book value			
At 31 December 2025	1,121	624	1,745
At 31 December 2024	-	123	123
		Software £'000	Total £'000
Cost			
At 1 January 2024		278	278
Additions		10	10
At 31 December 2024		(288)	(288)
Accumulated amortisation			
At 1 January 2024		(71)	(71)
Amortisation charge		(94)	(94)
At 31 December 2024		(165)	(165)
Net book value			
At 31 December 2024		123	123
At 31 December 2023		207	207

Amortisation of £344,000 (2024: £94,000) is included in administrative expenses in the Income Statement.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

13 Property, plant and equipment

	Plant and equipment £'000	Total £'000
Cost		
At 1 January 2025	4,662	4,662
Additions	1,419	1,419
Disposals	(24)	(24)
At 31 December 2025	6,057	6,057
Accumulated depreciation		
At 1 January 2025	1,802	1,802
Depreciation charge	1,368	1,368
Disposals	(24)	(24)
At 31 December 2025	3,146	3,146
Net book value		
At 31 December 2025	2,911	2,911
At 31 December 2024	2,860	2,860
	Plant and equipment £'000	Total £'000
Cost		
At 1 January 2024	3,328	3,328
Additions	1,334	1,334
At 31 December 2024	4,662	4,662
Accumulated depreciation		
At 1 January 2024	(794)	(794)
Depreciation charge	(1,008)	(1,008)
At 31 December 2024	(1,802)	(1,802)
Net book value		
At 31 December 2024	2,860	2,860
At 31 December 2023	2,534	2,534

Depreciation of £1,368,000 (2024: £1,008,000) is included in administrative expenses in the Income Statement.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

14 Right-of-use assets

	Land and buildings £'000	Total £'000
Cost		
At 1 January 2025	1,622	1,622
Additions	235	235
At 31 December 2025	1,857	1,857
Accumulated depreciation		
At 1 January 2025	608	608
Depreciation charge	319	319
At 31 December 2025	927	927
Net book value		
At 31 December 2025	930	930
At 31 December 2024	1,014	1,014
	Land and buildings £'000	Total £'000
Cost		
At 1 January 2024	1,329	1,329
Additions	293	293
At 31 December 2024	1,622	1,622
Accumulated depreciation		
At 1 January 2024	(306)	(306)
Depreciation charge	(302)	(302)
At 31 December 2024	(608)	(608)
Net book value		
At 31 December 2024	1,014	1,014
At 31 December 2023	1,023	1,023

Depreciation of £319,000 (2024: £302,000) is included in administrative expenses in the Income Statement.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

15 Customer incentive prepayments

On 4 March 2025, the Company entered into an arrangement with ČEZ under which First-of-a-Kind (FOAK) equity instruments may be issued to ČEZ in connection with future contracts for the supply of small modular reactors. The issuance of shares is contingent on specified milestones, including the conclusion of revenue arrangements.

Management has assessed the accounting for this arrangement and concluded that the issuance of equity instruments is closely linked to future revenue contracts and represents a form of consideration payable to a customer. The arrangement does not result in the receipt of distinct goods or services by the Company and therefore is not accounted for as a share-based payment under IFRS 2.

In the absence of specific guidance, the Company has applied IAS 8 by analogy to IFRS 15 and IAS 32. On issuance, the fair value of equity instruments is recognised within equity, with a corresponding amount recognised as a customer incentive prepayment within assets.

The customer incentive prepayment is subsequently amortised as a reduction of revenue over the period in which the related performance obligations are satisfied.

The balance at 31 December 2025 represents the unamortised portion of the value attributed to FOAK equity instruments, split between current and non-current assets based on the expected timing of recognition.

16 Trade and other receivables

Current:

	Note	2025 £'000	2024 £'000
Trade receivables		380	-
Interest receivable		537	-
Social security and other taxes refund due		5,658	12,598
Prepayments		3,448	16,039
Customer incentive prepayments	15	405	-
Accrued income		13,915	34,296
Other receivables		260	-
		24,603	62,933

Trade and other receivables are stated after provisions for impairment of £nil (2024: £nil).

Non-current:

	Note	2025 £'000	2024 £'000
Customer incentive prepayments	15	51,786	-

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

17 Contract assets and liabilities

	Current		Non-current		Total	
	2025	2024	2025	2024	2025	2024
	£'000	£'000	£'000	£'000	£'000	£'000
Contract assets	6	-	-	-	6	-

No impairment losses of contract assets (2024: none) have arisen during the year to 31 December 2025.

	Current		Non-current		Total	
	2025	2024	2025	2024	2025	2024
	£'000	£'000	£'000	£'000	£'000	£'000
Contract liabilities	(221)	-	-	-	(221)	-

£nil of the opening contract liability has been recognised in income during the year to 31 December 2025 (2024: £nil).

18 Leases

The Company has lease contracts for offices, warehousing and storage facilities which are used in the Company's operations. The amounts recognised in the Financial Statements in relation to the leases are as follows:

Amounts recognised in the Statement of Financial Position

The Statement of Financial Position shows the following amounts relating to leases:

	Note	2025 £'000	2024 £'000
Right-of-use assets			
Land and buildings	14	930	1,014
		930	1,014
Lease liabilities			
Current lease liabilities		417	329
Non-current lease liabilities		512	691
		929	1,020
Future minimum lease payments on leases:			
Within one year		417	329
In one to five years		512	691
		929	1,020

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

18 Leases (continued)

Amounts recognised in the Income Statement

The Income Statement shows the following amounts relating to leases:

	Note	2025 £'000	2024 £'000
Depreciation charge right-of-use assets	14	319	302
Interest expense (included in finance cost)	10	65	81

The total cash outflow for leases was £391,000 (2024: £369,000).

19 Trade and other payables

Current:

	2025 £'000	2024 £'000
Trade payables	6,423	21,346
Amounts due to group undertakings	-	2,604
Accrued expenses	33,417	22,144
Deferred grant income	806	-
Other payables	14,663	12,240
	55,309	58,334

Non-current:

	2025 £'000	2024 £'000
Other payables	3,821	2,024

20 Share-based payments

Share-based payment charges incurred by the Company in the year to 31 December 2025 were £302,000 (2024: £434,000).

During the year, the Company participated in the following share-based payment plans operated by Rolls-Royce Holdings plc:

Long Term Incentive Plan (LTIP)

This plan involves the award of shares to participants subject to performance conditions. Vesting of the performance shares is based on the achievement of both non-market-based conditions (earnings per share and cash flow per share) and a market-based performance condition (total shareholder return) over a three-year period.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

20 Share-based payments (continued)

ShareSave share option plan

Based on a three or five year monthly savings contract, eligible employees are granted share options with an exercise price of up to 20% below the share price when the contract is entered into. Vesting of the options is not subject to the achievement of a performance target. The plan is HM Revenue & Customs approved.

The weighted average share at the date share options were exercised is 728p (2024: 420p). The closing price at 31 December 2025 was 1,150p (2024: 569p). There were no exercisable options as at 31 December 2025 (2024: none) as the UK Sharesave schemes were fully settled in February 2025.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Share options outstanding:

	Exercise price in pence per share option	ShareSave share options	
		2025 No.	2024 No.
Grant - vest			
2021 UK 3-year scheme	97	<u>59,677</u>	<u>39,494</u>

Share-based payments in exchange for services

During the year, the Company received services from a supplier as consideration for its own equity instruments. The fair value of the services received is measured using the direct method and reflects the market value of the services received during the financial year. During the year, an expense of £9,311,000 (2024: £14,262,000) was incurred. See note 21 for shares issued in the year in exchange for services.

Free shares

In 2024, every employee of the Company was gifted 150 shares. The awards were granted under the 'Rolls-Royce Share Purchase Plan' for UK employees and it is an equity-settled scheme. The fair value of shares awarded under the Free shares scheme is calculated as the share price on the date of the award, on the basis that awards are entitled to receive dividends (or equivalents).

Matching shares

The 'Your Shares: Matched' plan was launched during the year. Every participant receives free matching shares with a value of up to £50 each month based on the number of investment shares they purchase. There are no performance conditions attached to the shares. The fair value of the free matching shares awarded under these plans is calculated using the share price on the date of the award. Non-vesting conditions are taken into consideration with a percentage discount applied based on the assumption of the expected forfeiture rates of the matching shares.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

21 Called up share capital

Allotted and fully paid

	2025 No.	2025 £'000	2024 No.	2024 £'000
Ordinary £1 shares	<u>1,058</u>	<u>1,058</u>	<u>780</u>	<u>780</u>

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

Any proxy appointed by a member will be entitled to vote on a show of hands or a poll, with each member entitled to one vote. The Company may declare dividends by ordinary resolution, but no dividend should exceed the amount recommended by the Directors.

On 7 January 2025 56,727 shares were issued for cash consideration of £80,000,000.

On 8 January 2025 3,566 shares were issued for cash consideration of £5,000,000.

On 4 March 2025 107,943 shares were issued for consideration of £100,037,000.

On 9 July 2025 106,364 shares were issued for consideration of £150,000,000.

On 2 June 2025 3,545 shares were issued for consideration of £5,000,000. The Company received services from a supplier as consideration for these shares. The fair value of the services is measured using the direct method and reflects the market value of the agreed services to be provided to the Company by the supplier.

22 Related party transactions

2025

	Assystem Energy & Infrastructure Limited	Rolls- Royce plc	Rolls-Royce Power Engineering Limited	Rolls- Royce Submarines Limited	ČEZ	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Sales	-	-	-	-	627	627
Purchases	9,965	10,255	308	231	-	20,759
Payables	-	4,266	308	260	-	4,834
Receivables	-	100	-	-	211	311

2024

	Rolls- Royce plc	Assystem Energy & Infrastructure Limited	National Skills Academy for Nuclear Limited	Total
	£'000	£'000	£'000	£'000
Purchases	8,723	2,962	104	11,789
Payables	2,604	1,594	-	4,198

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

22 Related party transactions (continued)

National Skills Academy Nuclear Limited ceased to be a related party in the comparative year due to an executive team member who worked for the business leaving during 2024.

Assystem Energy & Infrastructure Limited became a related party in the comparative year due to a close person of an executive team member taking on a senior role at the Company.

ČEZ became a related party following its investment in the Company on 4 March 2025.

Rolls-Royce plc, Rolls-Royce Power Engineering Limited and Rolls-Royce Submarines Limited are related through the Rolls-Royce group structure.

The Company has a dormant subsidiary, Rolls-Royce SMR (North America) LLC, that is incorporated in Delaware, United States of America, with a nominal investment value.

Key management personnel

For the purposes of these financial statements, key management personnel are members of the leadership team who have the authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel compensation is set out in the table below.

	2025 £'000	2024 £'000
Short term employee benefits	5,435	4,623
Post employment benefits	195	204
	<u>5,630</u>	<u>4,827</u>

23 Parent and ultimate parent undertaking

As at the balance sheet date, the Company did not have a parent undertaking as defined by IFRS 10 Consolidated Financial Statements. Following investment by ČEZ during 2025, the previous parent company Rolls-Royce plc relinquished control. There is therefore no ultimate parent undertaking as no single investor controls the Company. The two principal shareholders Rolls-Royce plc and ČEZ Group jointly control the Company through a contractual arrangement requiring unanimous consent over relevant activities. Minority shareholders do not have substantive rights affecting control. Accordingly, no party meets the definition of control under IFRS 10.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2025

24 Cash generated from operations

	2025 £'000	2024 £'000
Loss before tax	(228,644)	(115,095)
Adjustments for:		
Amortisation of intangible assets	344	94
Depreciation of property, plant and equipment	1,368	1,008
Depreciation of right-of-use assets	319	302
Finance income	(6,557)	(5,224)
Finance costs	338	49
Share-based payment charge	9,359	14,696
Decrease in receivables	23,359	59,374
Increase in payables	4,297	13,229
Increase in contract assets	(6)	-
Increase in contract liabilities	221	-
	<u>(195,602)</u>	<u>(31,567)</u>

25 Post balance sheet events

In April 2026 the Company signed a contract with Great British Energy-Nuclear (GBE-N) to commence site-specific design and early works activities for the UK's first small modular reactors. Loan financing of up to £599 million to support the deployment of small modular reactors was also secured from the National Wealth Fund. This was followed by the signing of an Early Works Contract with ČEZ to progress preparatory development activities for a proposed SMR deployment in the Czech Republic. Furthermore, in June 2026 the Company was selected by Videberg Kraft to deliver SMRs for a new nuclear power project in Sweden.

26 First time adoption of IFRS

These financial statements are the Company's first annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the United Kingdom. In previous periods, the Company prepared its financial statements in accordance with FRS 101 Reduced Disclosure Framework, which uses IFRS recognition and measurement principles.

As a result, the Company's accounting policies under FRS 101 were already aligned with IFRS recognition and measurement requirements, and no differences arose on transition to IFRS. Accordingly:

- No adjustments were required to previously reported equity at 1 January 2024 (the date of transition to IFRS).
- No adjustments were required to equity at 31 December 2024.
- No adjustments were required to previously reported profit or loss or total comprehensive income for the year ended 31 December 2024.

Accordingly, the reconciliations required by IFRS 1 paragraphs 24(a)-(c) are not presented, as there are no differences between the amounts reported under FRS 101 and those required under IFRS.