



2016
annualreport

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Central Laboratory

NATIONAL NUCLEAR
LABORATORY





National Nuclear Laboratory Limited

Country of Incorporation

England and Wales

Legal Form

Limited Company

Directors

Sir Andrew Mathews KCB FREng	Non Executive Chairman
Paul Howarth FREng	Managing Director
Jilly Atherton MCIPD	People Director
Ruth Dunphy ACMA	Chief Financial Officer
Andrew Sherry FREng	Chief Scientist
Iain Lanaghan CA	Non Executive Director
Jonathan Walker	Non Executive Director
Mike Weightman CB FREng	Non Executive Director

Secretary and registered office

David Dukes, Chadwick House, Birchwood Park, Warrington, Cheshire, WA3 6AE

Company number

3857752

Independent Auditor

BDO LLP, 3 Hardman Street, Spinningfields, Manchester, M3 3AT

National Nuclear Laboratory (NNL)'s financial statements include a strategic report that sets out the business's vision and objectives as well as highlighting various aspects of our progress and performance during the Financial Year 2015-16.

The directors have prepared this report to meet the requirements of Section 414 of the Companies Act 2006. NNL's independent auditor is required by law to report on whether the information given in this strategic report is consistent with the financial statements. The auditor's report is included later in this document.





This is my first Annual Report, having taken over as Chairman in January 2016. I must begin by paying tribute to my predecessor, Richard Maudslay, for his outstanding stewardship of the organisation over the previous six years. He led and oversaw a complete transformation of the business from its early stages in 2009 to the successful and well-respected organisation that I had the privilege to take over. I was fortunate to witness his work first-hand, having joined the Board in 2014.



NNL today is not just a successful commercial operation, recognised by the UK Government, customers and others as a leading authority in the field of nuclear fission science and technology, but it stands on the edge of significant transformational opportunities as the nuclear industry in the UK and internationally moves into a new era. Our success has to rest firmly on the foundation of a strong portfolio of commercial work, and I am pleased to report that 2015/16 has been another successful year.

We delivered an overall profit before tax, interest and exceptional costs of £10.0m from a turnover of £101.3m – both figures represent increases on the previous year. This is particularly impressive against the backdrop of a slowdown in some parts of the industry during the year. We also saw a large number of highlights across the business which Paul Howarth covers in his Managing Director's report.

Despite this successful performance, we recognised the need to continue our focus on making NNL as competitive and efficient as possible, and ensuring that the skills and capabilities that we have across the business are aligned to our customers' current and future needs. We therefore made the difficult decision in late 2015 to undertake a redundancy programme that saw over 100 people leave the business, the vast majority on a voluntary basis. As a result, we now face the future fitter, more efficient and better equipped to capitalise on the opportunities ahead. Exceptional costs related to this reorganisation totalled £6.2m and are disclosed in note 3 to the financial statements.

As well as our business performance, we have – in line with our evolving remit – taken steps to ensure that we are delivering forward-looking science, technology and engineering to underpin our future work and support our customers. The Board has endorsed a new, more proactive Science and Technology Strategy, and in parallel appointed Professor Andrew Sherry as NNL's Chief Scientist to the Board. The quality of our people has been recognised by the appointment

of some of our senior leaders to key industry positions. Just this year, Paul Howarth was appointed to chair the Centre of Nuclear Excellence (CoNE) in Cumbria, while Fiona Rayment was appointed to chair the new industry-wide Nuclear Skills Strategy Group. Meanwhile Andrew Sherry continues to lead the Nuclear Industry Council's work on communication and engagement. All of these appointments reflect our stewardship role in relation to UK capability.

"NNL today is not just a successful commercial operation... it stands on the edge of significant transformational opportunities as the nuclear industry in the UK and internationally moves into a new era."

Year on year, we continue to see significant progress in taking NNL forward – both as a business and as a focal point for scientific and technical excellence in nuclear matters. I am genuinely delighted to have the chance to chair the NNL Board at such an exciting time. I hope you enjoy reading the other sections of this report to learn in more detail about the excellent work that is being done across the organisation.



In addition to welcoming Andrew to his role as NNL's Chairman I would like to begin by echoing his comments and paying tribute to the work that Richard Maudslay did during his tenure in the role. His contribution to NNL's success has been immeasurable.

As Andrew said in his remarks, there have been some tremendous successes across all parts of the business during 2015/16, but our most important achievement is always to carry out our work safely and securely. Our operational safety performance remained excellent during the year (which saw NNL winning the RoPSA President's Award in 2015, reflecting 11 consecutive years of excellence). However, we also saw our first lost-time accident for a decade when an employee sustained a back injury that resulted in them being absent from work for over a week. We have made sure to capture and share all the learning from that event to prevent any recurrence.

We have seen a number of highlights in our technical work across the business this year:

- We carried out the 'first of a kind' in-service base inspection on Sellafield's Highly Active Evaporators
- We were awarded Sellafield Excellence Awards and ONR G6 awards for key projects
- We established an Accident Tolerant Fuel R&D programme with US DOE, and secured an associated capital grant from the UK Government
- We successfully completed inactive test melts using the GeoMelt technology and we installed the equipment in Central Laboratory
- We successfully separated americium from plutonium at the purity required for Radioisotope Thermal Generator ('space battery') production
- We continued to deliver our Post Irradiation Examination service reliably to EDF Energy during facility refurbishments, including the investigation of record volumes of graphite
- We completed the first post storage evaluation of AGR fuel for Sellafield Ltd
- We agreed a technical support contract with CNNC of China for development and localisation of their small modular reactor (SMR) designs for the UK market
- We agreed a licensing agreement with MicroLab Devices for 'lab-on-a-chip' radiochemical separation technology

"There have been some tremendous successes across all parts of the business during 2015/16."



Building on these successes and many others, we have also secured significant new contracts with many of our key customers, including Sellafield Ltd, EDF Energy, AWE, Rolls-Royce Plc, and Magnox Electric.

Our suite of facilities underpins much of our delivery to customers, and yet again this year we've seen some great work carried out within the organisation to keep our facilities operating and to refurbish them for the future. Our refurbishment programme in the Windscale Lab has delivered some major milestones, and we were also delighted to see the first radioactive material entering the High Alpha Labs (formerly known as Phase 2) within our Central Laboratory, as part of the complex and rigorous commissioning programme.

Our role as a trusted national laboratory was highlighted by the announcement that NNL would lead the new UK-China Joint Research and Innovation Centre on behalf of the UK nuclear sector. The centre will be established in 2016, with £50m in funding committed by the two governments. NNL already leads the UK's involvement with the international Halden Reactor Project in Norway and Jules Horowitz Reactor project in France. Last year, we also saw the long-awaited announcement from the UK Government of £250m of new research funding over the coming five years to cover nuclear R&D, with a specific focus on Small Modular Reactors. NNL certainly anticipates the opportunity to participate in a substantial segment of that work alongside several other organisations.



To conclude, with a robust order book, a strengthened commitment to world-class science and technology, highly talented and experienced people, an increasing number of well-equipped facilities and the respect and recognition of our customers and stakeholders, NNL is well placed to take advantage of the many opportunities ahead.





NNL is the UK's principal research and development organisation, providing the technical knowledge and capability to ensure that the country's civil nuclear fission energy programmes are delivered safely and cost-effectively. NNL is owned by the UK Government's Department of Energy and Climate Change (DECC).

We are the custodians of a unique set of world-leading nuclear skills, facilities and equipment that are vital to the UK. With a broad span of knowledge and capability, we act independently and authoritatively when advising Government and stakeholders in the UK and worldwide. Many of our employees are internationally recognised experts in their fields, and we also work with universities to enable academic access to our services.

We deliver customer work with a strong commercial focus, enabling us to generate surpluses that are subsequently re-invested in research and facilities, thereby furthering the UK's strategic capabilities and developing expertise.

The combination of being a national laboratory that underpins a civil nuclear fission energy programme while also operating commercially to reinvest in our capabilities makes NNL unique among the various national laboratories around the world.

Here is an overview of what we do:

- We offer a range of technical products and services supporting the complete nuclear fuel cycle - from fuel manufacture and power generation to reprocessing, waste treatment and disposal
- We deliver the expertise and technologies that help to ensure the UK nuclear industry operates safely, efficiently and cost-effectively
- We support the Government in safeguarding the UK's nuclear skills and capabilities and provide advice on key strategic decisions
- We play a central role in the co-ordination of UK nuclear research and development, maintaining close links with academia and industry

- We have over 10,000 person years of nuclear experience across the fuel cycle, coupled with world-leading nuclear R&D facilities
- We operate from six sites in Cumbria, Lancashire, Cheshire, Gloucestershire and Oxfordshire; most of our work is focused around our sites in the North West of England and we are the second biggest industrial employer in West Cumbria.

The scope of our work includes:

- Radiochemical analysis
- Waste and spent fuel technology
- Fuels and radioisotopes
- Specialist waste and material processing
- Asset care
- Reactor operation support
- Safety, security and environmental services

Across all these fields of work, safety is our number one priority at all times.



There are three elements to our role:

<p>Strategic technical advisor</p>	<ul style="list-style-type: none"> • Acting as a strategic technical advisor to Government and industry • Leading the civil nuclear fission energy national programme • Supporting Government activities to facilitate UK economic development
<p>Delivery of national programmes</p>	<ul style="list-style-type: none"> • Co-ordinating the strategic national programme R&D • Leading the provision of R&D to these programmes (as appropriate) • Maintaining a sound commercial footing to become a world-leading centre of expertise in applied R&D, supporting customers across the nuclear fuel cycle
<p>Stewardship of UK technical capability</p>	<ul style="list-style-type: none"> • Exerting appropriate stewardship of the UK's strategic nuclear capabilities (people and facilities), skills and knowledge, especially in nuclear fuel cycle technology • Ensuring that UK national programmes have access to the capabilities they require

We work closely with academic and industrial partners, each of which has their own nuclear research capabilities. However, we occupy a unique space between these entities by working particularly on technology development and demonstration (also known as 'translational research'). As such, NNL operates as a true national laboratory, taking 'science to solutions'.





“It has the skills and facilities to cover the full extent of waste management and decommissioning projects.”

Our business areas

We provide technical support and services to customers in three key business areas:

Waste Management and Decommissioning

This business area supports customers by developing and applying technologies and techniques that assist with the clean-up and eventual decommissioning of nuclear facilities. It has the skills and facilities to cover the full extent of waste management and decommissioning projects. Particular areas of expertise include:

- Environmental and effluent management
- Measurement and analysis
- Waste and residue processing
- Waste immobilisation technology

We also offer programme integration and project management support.

Fuel Cycle Solutions

This business area supports customers by providing fundamental technical solutions, underpinned by an advanced modelling and simulation capability. Particular areas of expertise include:

- Fuel cycle performance and associated technology development
- Spent fuel disposition
- Plant integrity

We also offer nuclear security, safety management and engineering services.

Reactor Operations Support

This business area supports customers by providing key services to nuclear reactor operators, including post-irradiation examination of fuel, components and graphite to enhance reactor performance. We also offer power station chemistry, endoscopy and metallography services.

Our UK customers include Sellafield Ltd, EDF Energy, Rolls-Royce Plc, the Nuclear Decommissioning Authority, Springfields Fuels Ltd and AWE. Globally we have customers in the USA, Japan, Europe and China and we work with governments and utilities as well as other national laboratories.



Facilities

NNL has a number of nuclear facilities. The flagship facility is our Central Laboratory at the Sellafield site, which is unique in the UK in having both non-active and active laboratories and a rig hall. Other facilities include:

- The Windscale Laboratory (active handling and inspection)
- The Preston Laboratory (uranium research)
- The Workington Laboratory (non-radioactive test rig services)

We also have office-based facilities at:

- Warrington (modelling and simulation/environmental management)
- Stonehouse (reactor operations support)
- Culham (materials science and chemistry)

Our vision and mission respectively set out where we want to get to and what we need to do as a business. Our strategic objectives set out the means of achieving the vision and mission.

Our **vision** is to deliver the best nuclear science and technology solutions in the world.

Our **mission** is to be the key UK civil nuclear fission R&D provider by:

- Delivering high-value independent, authoritative advice and a quality service to our customers
- Creating value for stakeholders by maintaining the commercial basis for our business and sustaining a strong positive cash flow for reinvestment in programmes and capabilities
- Increasing our influence on the UK nuclear research agenda
- Maintaining a unique set of nuclear facilities tailored for our customer needs

Our five strategic objectives are to:

- Achieve industry-leading standards in operational environmental management, health and safety, security and quality
- Be the Strategic Technical Advisor to the UK Government and other stakeholders
- Deliver impactful science, technology and engineering to underpin national programmes
- Grow a sustainable business that delivers operational excellence
- Ensure our business is supported by outstanding people and facilities

This is how we will achieve each objective:

Achieve industry-leading standards in operational environmental management, health and safety, security and quality

We will focus on leading indicators of both human performance and behavioural observations across the business. These will continue to drive local ownership and accountability for EHSS&Q in every part of the business.

Be the Strategic Technical Advisor to UK Government and other stakeholders

We will:

- Establish ourselves as the UK's Strategic Authority for Nuclear Energy
- Facilitate UK economic development and exports by UK companies
- Deliver national programmes of nuclear R&D

We will advise on the direction and execution of the emerging national programmes of nuclear R&D, and also provide R&D to these programmes where appropriate.

Deliver impactful science, technology and engineering to underpin national programmes

We will optimise the things that impact our science and technology the most – our culture, skills, facilities, programmes of work and reputation. We developed and published a new Science and Technology Strategy in 2015/16 to support this objective.

Grow a sustainable business that delivers operational excellence

We will ensure that we are commercially successful, which means ensuring that our revenues are sustained above a level that supports our cost base. We can then generate the surpluses required to deliver all of our strategic objectives.

“Our vision is to deliver the best nuclear science and technology solutions in the world.

Our mission is to be the key UK civil nuclear fission R&D provider.”



Ensure the business is supported by outstanding people and facilities

We will attract, develop and retain the best people for our business and industry, and will invest in our facilities.

Our people are our biggest asset and differentiator. We aspire to employ the best people in the industry, using our unique position at the heart of nuclear science and technology as a thoroughfare for talent. We aim to differentiate ourselves by making the working environment highly engaging for all our people, during every stage of their working life at NNL.

The nature of our work will evolve as national programmes mature to become dominated by facilities-based work. At the same time, a significant investment programme is underway to commission facilities that are currently in care and maintenance and to refurbish ageing facilities in order to increase capacity, flexibility and enhance capabilities. We have developed a facilities strategy to provide world-leading facilities capable of supporting our mission, all operated by our skilled workforce.



Overall, NNL's business is doing well. The organisation is a successful commercial operation, recognised and respected by the UK Government, customers and others. We also anticipate significant transformational opportunities as the nuclear industry evolves. However, we recognise that any new work, such as the role we play as a strategic technical advisor to the UK Government on nuclear matters, must continue to be based firmly on the foundation of a strong portfolio of commercial work. As we have delivered increased profit before tax, interest and exceptional costs (£10.0M) from an increased turnover (£101.3M) during a time of some change and uncertainty in the industry, we are in a strong position to move forward successfully.

However, we are not complacent. We have undertaken significant reviews across the business and introduced a number of initiatives to help position ourselves better for the future.

Firstly, we have developed and launched a new Science and Technology Strategy, setting out a five year programme to:

- Further establish NNL as a national laboratory with commercial success
- Ensure NNL is recognised as the UK's premier nuclear science and technology organisation, with an international standing that places it in the top ten of similar organisations globally
- Position NNL as the leading international player in at least five fields of nuclear science and technology

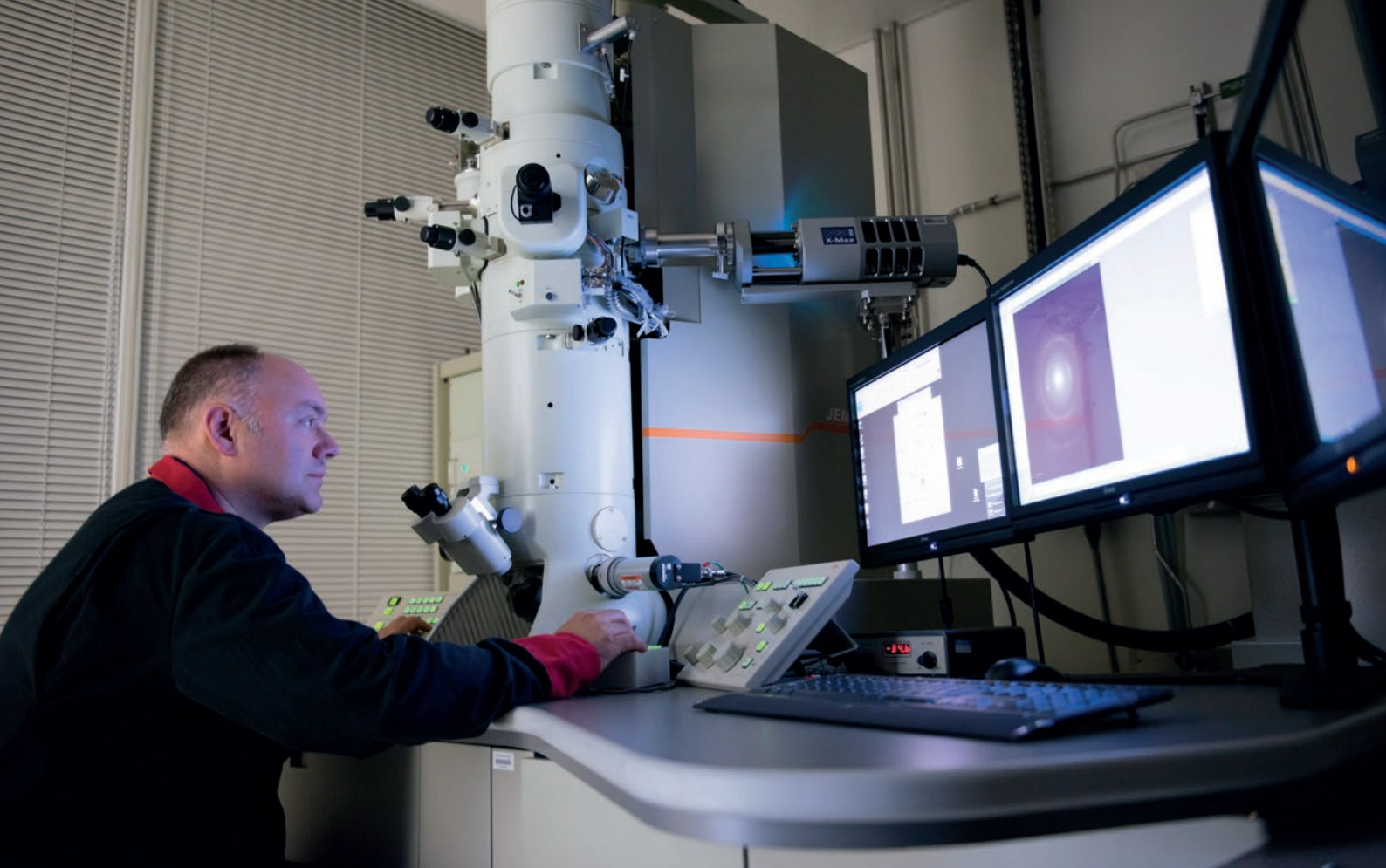
This will be achieved by delivering science and technology programmes that aggressively drive innovation in national and international nuclear programmes while maintaining strategic nuclear capability; developing outstanding people of reputation and influence; and operating leading-edge facilities that enable national and international R&D collaborations.

We are also taking major steps to ensure that our facilities can fully support our future work programmes. Our facilities commissioning and refurbishment programme has delivered significant progress this year, including the following projects:

- Windscale Laboratory: The refurbishment programme has continued to plan. Work on the second of the laboratory's two principal import/export routes has been completed and the plant returned to service
- Central Laboratory Phase 2: Commissioning of the Phase 2 plutonium laboratories is broadly on schedule. In December 2015, ONR signed the Licence Instrument and NDA gave permission to take Central Laboratory Phase 2 active
- Central Laboratory Phase 3: Commissioning remains on hold pending agreement of commercial arrangements with customers for use of the facility

"We have developed and launched a new Science and Technology Strategy to deliver Programmes that aggressively drive innovation in national and international nuclear programmes."





One part of our business that we do not wish to change is our safety performance. Operational safety remains excellent and no OSHA or INES events requiring onward external reporting by NNL occurred during the year. However, we experienced our first lost time accident for ten years, when an employee sustained a back injury as a result of using a pellet press in a glovebox and was subsequently off work for over a week. We took remedial action to understand the cause of the event and shared all appropriate learning around the organisation. We continue to look for ways to help ensure that we can maintain our world-class safety performance in the future. A highlight of the year was the news that NNL had won the RoSPA President's Award 2015, a testament to 11 consecutive years of excellence.

Looking internally, we have considered carefully what the size and skills mix of our workforce need to be to meet the challenges of the future. Following careful review and consultation, we took a difficult decision to release a number of individuals from the business. We set out to be as transparent as we could be, explaining the rationale, timescales, processes and potential impacts. We supported this by encouraging two-way communication across the whole organisation, before moving to individual consultation and support for the people who were directly affected. We achieved most of the reduction through voluntary applications.

We have also begun a wider review of how the business should best be structured and organised to meet the complex challenges and opportunities of the future. This work, and any associated re-structuring of the business, will be concluded within the 2016/17 year.

Finally, we have been actively progressing the actions from our 'Voice' employee engagement programme that we initiated the previous year. This involved around 250 people sharing thoughts on different topics such as ways of working, development, reward, leadership and so on, and putting forward actions for improvement. We also created a dedicated website to capture progress and successes, and to canvass further opinions through related discussion topics and polls.

KPI Area	KPI	2015/16 Performance	Comparison with 2014/15
Safety	RIDDOR events (>7 day LTAs, specified injuries, dangerous occurrences, etc.)	1	Worse
	Days Away Cases	1*	No Change
	High consequence nuclear and safety events	0	No Change
Quality	Significant Quality events resulting in >£50k rework	0	Better
Environmental	Significant Environment Agency reportable events	0	No Change
Ill Health	Days sick per employee (excluding long-term sick)	3.4	Better
Financial	Profit before tax, interest and exceptional costs	£10.0m	Better
	Cash generated by operations before exceptional costs	£13.7m	Better
	% earnings reinvested in science & technology	49%**	Better

* Included in RIDDOR above

** Our unique commercial model allows us to invest in science and technology for the benefit of the whole nuclear industry. During the year we have introduced the KPI '% earnings reinvested in science and technology' to clearly show the proportion of each year's earnings reinvested in science and technology activities in the same year.

“We have continued to win new work in increasingly competitive markets.”





Strategic report | 1.5 Financial Review

Although operations continued to be restricted by the ongoing refurbishment of Windscale Laboratory, overall 2015/16 was a successful year. Our turnover was £101.3m and our profit from operations before tax, interest and exceptional items was £10.0m. Both figures are greater than those for 2014/15.



We have continued to win new work in increasingly competitive markets and have successfully balanced delivering value to both our customers and our owner.

Strategic report | 1.5.1 Revenue

	2016 £m	2015 £m	% Change
Total	101.3	99.6	1.7%
Central laboratory Phase 2 commissioning project (note 1)	(2.2)	(8.2)	(73.2%)
Underlying business	99.1	91.4	8.4%

Total revenue has increased £1.7m (1.7%) from 2015 levels, and revenue in the underlying business – which excludes the Phase 2 Commissioning project – has increased £7.7m (8.4%) from 2015 levels.

Note 1

The one-off commissioning project is backed by a contract with Sellafield Ltd who will utilise a large proportion of the facility's capacity once commissioning is complete. As a result of these arrangements, the project is accounted for as a construction contract in accordance with IAS 11 and revenue is recognised by multiplying the total contract value by the percentage of work completed.

Total operating costs have remained at the same level as last year, while delivering £1.7m of additional turnover.

Although turnover has increased, cost of sales and administrative costs have remained stable due to improvements in efficiency of delivery.



Strategic report | 1.5.3 Exceptional Item

An exceptional cost of £6.2m has been recognised in the year. This represents the cost of a redundancy programme that, as mentioned in the Chairman's statement, saw over 100 people leave the business. The programme, which is expected to payback in less than two years, means that we are better equipped to face the future as our skills and capabilities align more closely with customer needs.

We are planning to invest in enhancing our business, improving our infrastructure, business structure, systems and processes to remain agile and responsive and at the leading edge of Nuclear Research and Development.

“We are planning to invest to remain agile and responsive and at the leading edge of Nuclear Research and Development.”



	2016 £m	2015 £m	% Change
Profit before tax, interest and exceptional costs	10.0	8.2	22%
Exceptional item - restructuring costs	(6.2)	-	100%
Net financing income / (costs)	0.1	(0.5)	120%
Profit before tax	3.9	7.7	(49)%

Along with efficient delivery, the increased revenue has resulted in an increase of £1.8m in profit before tax, interest and exceptional costs.

Net financing income has increased in comparison with last year as a result of interest accruing during the year on the long-term debt associated with the Phase 2 commissioning project.

While profit before tax of £3.9m is significantly lower than last year, this is as a result of the restructuring programme.

The Statement of Comprehensive Income is set out on page 29 and shows the profit for the period.

Fixed assets

NNL continues to invest in its long-term future and we invested £10.8m in fixed assets in the year. The principal investments were:

- Enhancements to the Windscale Laboratory £6.2m
- Enhancements to the Central Laboratory capabilities £1.9m
- Enhancements to the Preston Laboratory £1.6m

The enhancements to the Windscale laboratory were partially funded by a grant from the NDA.

Other non-current assets and liabilities

Intangible assets are comprised mainly of a £3.7m service concession asset. This is the value attributable to NNL's right-to-use capacity in the High Alpha Labs of the Central Laboratory, which is being commissioned primarily for Sellafield Ltd's use. We expect to recover this amount from future work undertaken for third parties.

The non-current trade and other receivables balance of £17.9m largely represents amounts due from Sellafield Ltd under the contract for construction activities at Central Laboratory. The balance becomes payable by 72 monthly instalments once the commissioning work is completed. Repayments are expected to begin in March 2017.

Non-current trade and other payables of £34.5m represent £30.5m of capital grants received and receivable in respect of the investment programmes, together

with a loan of £4.0m from NNL (Holdings) Ltd that is supporting the laboratory investments. The balance has increased by £4.2m since last year, largely as a result of further grant-funded capital works in our Windscale and Preston facilities.

Current assets and liabilities

Prepayments and accrued income have increased by £5.1m since 2015. This is attributable to one individual project that is awaiting a signed deed of variation that equates to £6.8m of the accrued income balance.

Payments received on account have increased by £3.7m, mainly due to payments received from a customer for future work. The work has been scoped and completion is anticipated by July 2017. Accruals have decreased by £1.7m.

Cash at bank at 31 March stood at £10.4m.

Treasury management

Cash sums that are surplus to immediate requirements are deposited in an interest bearing account at The Royal Bank of Scotland.

NNL does not have significant foreign currency transactions. In the main, foreign exchange gains and losses are accounted for as they are incurred. However, for significant foreign contracts, our policy is to hedge against specific foreign currency risk. As at 31st March 2016, NNL had negligible currency exposures (2015 - negligible).

Credit risk

NNL is exposed to credit risk from its trade receivables due from customers and cash deposits with financial institutions. The financial position of NNL customers is assessed at the time credit terms are applied for and on a continuing basis. Provision is made for any debts that are considered to be doubtful. At the year end, we do not consider there to be any material unprovided doubtful debt.

Cash flow risk

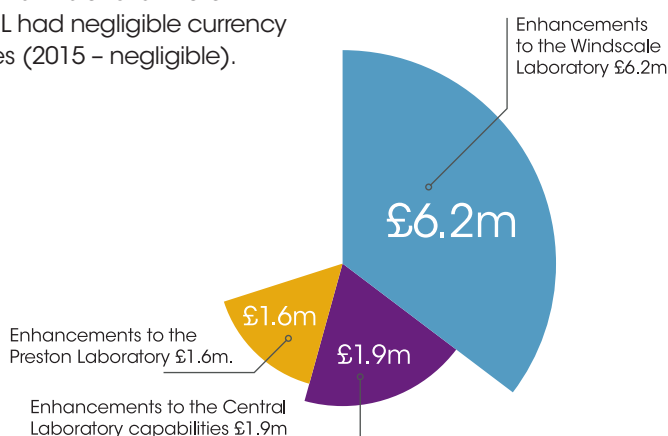
NNL monitors cash flow risk by maintaining and monitoring cash flow forecasts and ensuring that adequate unutilised borrowing facilities are maintained.

Supplier payments

NNL follows the Prompt Payers Code of Practice drawn up by the Confederation of British Industry (CBI). This policy requires NNL to agree the terms of payment with its suppliers, to ensure that those suppliers are aware of those terms and to abide by them. Copies of the code are available from CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU. NNL's main payment terms are net monthly.

Significant events after the reporting period

There have been no significant events after the reporting period that require disclosure.





As noted earlier, NNL is currently in a strong position and positioned well for the years to come. We have grown the business during the past year and we anticipate further steady growth in the future.

Budgetary pressure at our government funded customers may mean that revenues from the Spent Fuel and Nuclear Material Management and Civil D&D market sectors could fall in the short term. However, we expect to see these levels recover in the medium term. We also expect that any impact on overall revenue will be offset by growth arising from a number of different sources, including:

- Agreement of new contracts with key customers in the Generation and Defence sectors of our business

- New work in the Reactors and Front End market sectors, principally through programmes with international fuel vendors
- The enhanced capability of our suite of world-class research laboratories, as our Windscale Laboratory returns to full availability and the areas of Central Laboratory currently under commissioning are brought into full use
- Support of the UK Government's programme of nuclear research and development, totalling £250m over the coming 5 years, as announced by the Chancellor
- NNL's increased presence in the international nuclear arena, particularly in countries such as the US, France, Japan and China

As we prepare for the future, we are also critically reviewing all aspects of our business to ensure that we are prepared to face the challenges and capitalise on the opportunities that arise. This work has already led to a number of changes in the business, such as our new Science and Technology Strategy and our reshaped workforce plan. In the future we anticipate further review and improvement to ensure that we remain suitably prepared to deliver effectively on our mission and vision.



The directors are confident about the future of the business. Nonetheless, risks and uncertainties do exist that could adversely impact future financial performance.

The directors have assessed the potential impact of Brexit on the company and have determined that – based on currently available information – there is no immediate impact. Risks depend upon the nature of the UK’s new relationship with the EU, but at this stage we believe they are manageable. The directors will continue to assess potential impacts as the political situation evolves and take action accordingly.

In 2015/16 we also redesigned our approach to risk and opportunity management to enhance our performance. The principal areas of risk are set out in the Governance Report, section 6.3.

Going concern

The Company’s business activities, together with factors likely to affect its future development, performance and position have all been considered. Any consideration of future matters involves making a judgement at a particular point in time, about future events that are inherently uncertain. However, at the time of approving these financial statements, the Directors believe that there is a reasonable expectation that the Company has adequate resources to continue to adopt the going concern basis in preparing these financial statements.

Approval

This strategic report was approved by order of the Board.

David Dukes
Secretary





At NNL we do everything we can to protect our people and others from any harm that could be caused by our work. That's why we actively encourage our employees to report even seemingly minor issues or events, as well as minor injuries such as small cuts and abrasions. By knowing the full picture, we can help to identify potential improvements to our safety, security, quality and environmental management.

We're pleased to say that the reporting levels of events like these remained high, as it shows that our workforce understands how important it is to be vigilant at all times. We received many more behavioural safety observation this year, and there was also a slight increase in the number of reports of minor injuries such as cuts and grazes.

We continually challenge ourselves to improve, and wherever we detect adverse trends, we act quickly to remedy the situation. For example, in 2015/16 we held a series of two-way safety discussions/pauses within teams. Health has been a focus in the year; as well as re-invigorating our wider health and wellness approach we have also installed Automated External Defibrillators (AEDs) at our locations.

Thanks to the commitment to safety across our organisation, RoSPA (Royal Society for the Prevention of Accidents) has awarded NNL with a commendation in the Research and Development sector. The achievement is part of our on-going success at these prestigious awards.

While we are proud of our safety record, we recognise that there is no room for complacency; we must continually look for ways to improve. Further initiatives are planned and some are already underway.

We also continue to focus on security, and cyber security has been a particular feature during the year. We have effective processes in place, and our people have demonstrated a high degree of awareness and vigilance, which is a key aspect of our security management system.

We continue to uphold the high standards of environmental management that we have achieved in previous years. We maintained compliance with environmental permits and authorisations across all our facilities and our waste management procedures remained robust, with no reported events arising from NNL waste streams. We recorded 17 minor environmental events during the year, all of which were controlled and managed internally, with no external impact or consequences.

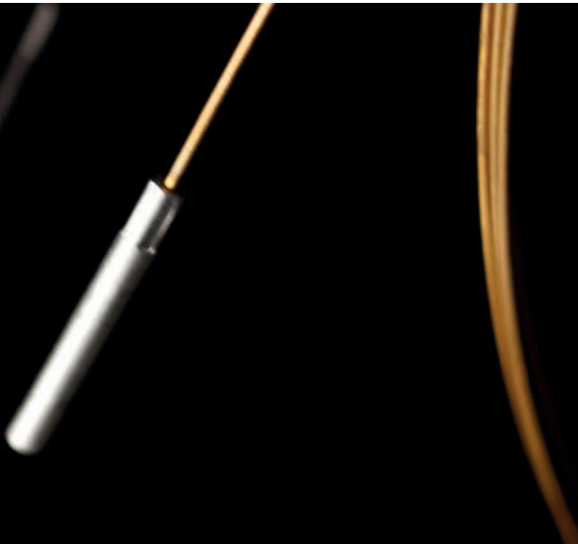
We have implemented our energy management system, and have already achieved ISO50001 certification for it. This demonstrates regulatory compliance with the Energy Savings Opportunity Scheme (ESOS) Regulations, 2014 for both NNL and our parent company NNL Holdings. We also maintained ISO14001 certification for our Environmental Management System throughout the year, and we scored highly for environmental management upon registration to the Chartered Institute of Procurement and Supply (CIPS) Sustainability Index.

Customer feedback returns for 2015/16 show that we successfully delivered our services and products to a high degree of customer satisfaction (>99%). This positive performance was delivered without recording any significant quality rework events. We remain committed to ensuring that our services and products meet the standards people expect from us, and to achieve this by fostering the right quality culture.

ISO9001 certification of NNL's Quality Management System was maintained throughout the year. The system framework includes the necessary QA controls required by the Macpherson recommendations that are applicable to the development of all business-critical models.

"Thanks to the commitment to safety across our organisation, RoSPA has awarded NNL with a commendation in the Research and Development sector."

People are crucially important to NNL – whether they are within the organisation or are our external stakeholders. Like any business, we are engaging with our employees in a variety of ways, and we also have good links to our customers, the local communities in which we operate and other external stakeholder organisations. This section describes some of the ways we engage with people, starting by looking at our own employees.



Strategic report | 3.1 Engagement with NNL Employees

The 'Voice' employee engagement programme

Last year we initiated an employee engagement programme called 'Voice', which involved around 250 people sharing thoughts on different topics such as ways of working, development, reward and leadership, and putting forward actions for improvement. This year we are progressing the workstreams and actions from the programme. We have launched a dedicated website to capture progress and successes, and to canvass further opinions through discussion topics and polls.

Dignity at work

Our policy is that every colleague, customer or supplier has the right to be treated with dignity and respect and to be free from discrimination, bullying, harassment or victimisation of

any kind. We will not tolerate any such behaviour. To reinforce this view, we've recently launched our 'Dignity at Work' policy, which has been developed with support from our recognised trade unions.

We see 'diversity' as recognising and valuing difference in its broadest sense. It's about creating a working culture and practices that recognise, respect and value the whole of our workforce. By having a diverse workforce, we can draw on different experiences, have access to a wider talent pool and also react appropriately to the challenges of our diverse markets and communities. This is one of the reasons that we continue to support Women in Nuclear (WiN) – a global drive to encourage more women to join and contribute to our industry. Our diversity is also reflected in the number of part-time employees we have – currently at 9.4% of our workforce.

Similarly, we see 'equality' as creating a fairer workforce, a place where everyone can participate and has the opportunity to fulfil their potential.

To support the policy, we have developed an interactive, thought-provoking learning event for our employees that is being rolled out across the business. Given the seriousness of this topic, attendance is mandatory.



Health and wellbeing

One of the improvement actions instigated by Voice is our health and wellbeing programme 'GO', which forms part of our dignity at work policy. GO will feature a range of hints, tips and tools to help people focus on their own health and wellbeing. Examples range from the provision of vitamin packs and free healthy snacks at work to issuing pedometers that are linked to healthy team challenges. The programme will be rolled out across the organisation during the coming year.

In addition, we continue to provide a free 24-hour employee assistance programme, where employees and their families can access confidential support on a range of topics, from coping with personal situations to managing their finances.

All of these activities are designed to ensure the health and wellbeing of our employees. However, they also deliver benefits to NNL as a business, through reduced absence and increased productivity. For example, our sickness absence levels last year remained well below the national and public sector averages. Specifically, NNL lost an average of 3.4 days per employee, down 0.4 from the previous year.

Employee recognition

Another part of engaging our people is to recognise the contributions they make. Our 'Impact Awards' invite formal nominations from all employees for exceptional individual and team-based contributions. Beyond the Impact Awards, we were also able to thank over 200 of our people (22%) in less formal ways, such as giving them gift vouchers or flowers.

Development

We've continued to develop our learning and development directory to support technical, professional and behavioural skills and learning among our workforce. The launch of a new interactive learning portal will help us expand this further over the coming year. The portal will help people find a variety of solutions to support their personal development and future career planning.

We remain committed to our graduate development programmes and apprenticeships, while also supporting student placement programmes. During the last financial year, we supported 43 graduates and 41 apprentices in their training. We're also proud to have joined 'The 5% Club', which consists of UK public and private companies who commit to raise the number of apprentices, sponsored students and graduates on formal programmes to 5% of their total workforce within five years. We're pleased to say that we already exceed that target.

Adapting our workforce to business conditions

Earlier in the year we realised we needed to make some changes to the size and skill balance of our workforce, in order to respond to evolving business conditions. We invited applications for voluntary severance and accepted a significant number of voluntary applications. However, we also had to make a small number of compulsory redundancies to achieve the required outcomes in terms of workforce numbers and our overall balance of skills, experience and expertise.

"We remain committed to our graduate development programmes and apprenticeships, while also supporting student placement programmes."

Engaging with our local communities is a high priority for our business.

We engage with communities through formal participation, such as NNL chairing the public/private sector nuclear collaboration in Cumbria (the Centre for Nuclear Excellence – CoNE), and NNL representation on the Board of Marketing Cheshire. We also maintain a strong programme of Corporate Social Responsibility (CSR), focusing on supporting Science, Technology, Engineering and Maths (STEM) activities in and around the communities where our facilities are based and where our people live.

We continue to receive many more requests than we are able to support, so we have a clear set of criteria to ensure that our engagement is determined fairly and clearly.

During the year we funded over 2,500 hours of our employees' time to support CSR activity, and we know that our staff gave a significant amount of extra support in their own time. Some of the highlights of the year include:

- Our support of the Smallpiece Trust residential courses, including an all-female course in Bristol, to help encourage girls to pursue STEM subjects
- The Cumbria Flood Appeal, which was our chosen charity for the Christmas Card charity donation; we provided a significant immediate donation as part of an industry-wide response to ensure immediate relief was available to those affected
- Our participation in the Engineering Education Scheme with two schools, including St Benedict's School in Whitehaven, who won the scheme and attended the National Finals of the 'Future Industry Leaders Awards' in London
- Our support of a number of large events including Lancashire Science Festival, Cheshire Science Festival, Frank Morton Event and Engineer Your Future events. We also took part in the national Big Bang event, participating jointly with the Nuclear Industry Association

- We took two sixth-formers into our Cumbrian labs as part of the 'Dream Placement' work experience scheme, and we have restructured our wider work placement offer to give students an even more valuable experience
- We continue to hold fundraising events such as cake bakes at our sites and make donations to local charities nominated by our employees
- We provided sponsorship of a lab at the new iSTEM centre at the University of Central Lancashire. The interior of the lab sports NNL branding, and students are required to adhere to NNL lab rules while working there. This helps students to understand our working practices and gives them a platform to build on for future success

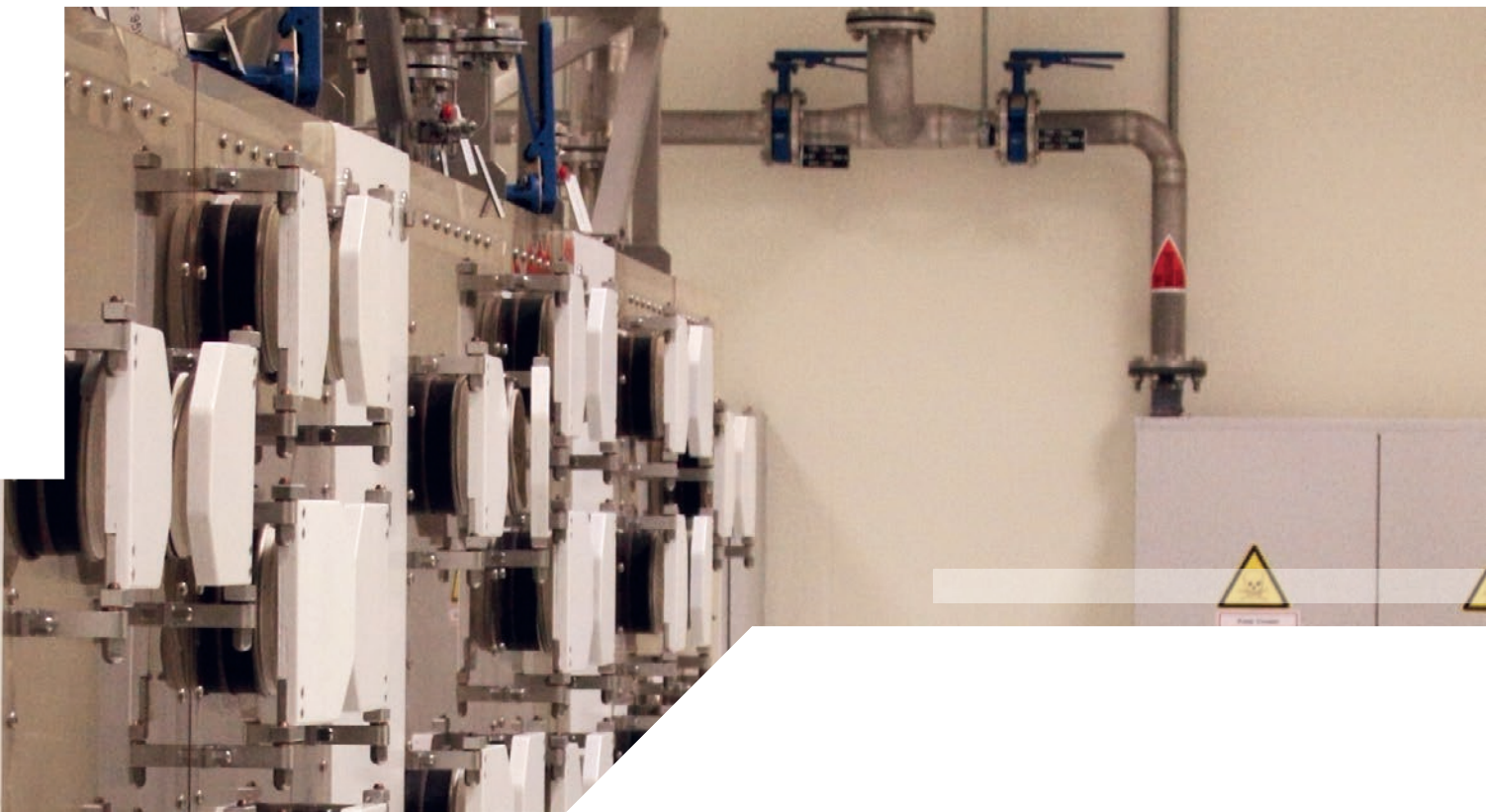
Finally, we produced NNL's first ever CSR report, which was published on our website. As well as showcasing the full range of our activities, the report outlines the criteria we use to assess requests for support in a clear and transparent way. It also contains a list of contact details for people looking to arrange NNL engagement.





The directors of NNL during the year were:

Sir Andrew Mathews KCB FREng	Chairman	Appointed chairman 04.01.2016
Richard Maudslay CBE FREng	Chairman	Resigned 17.12.15
Paul Howarth FREng	Managing Director	
Jilly Atherton MCIPD	People Director	
Ruth Dunphy ACMA	Chief Financial Officer	Appointed 16.11.15
David Healey FCCA	Finance Director	Resigned 07.07.15
Andrew Sherry FREng	Chief Scientist	Appointed 01.01.16
Iain Lanaghan CA	Non-Executive Director	
Craig Lester	Non-Executive Director	Resigned 28.01.16
Jonathan Walker	Non-Executive Director	Appointed 28.01.16
Mike Weightman CB FREng	Non-Executive Director	





Sir Andrew Mathews, Chairman

Sir Andrew Mathews was appointed as the Chairman of NNL on 1 January 2016, having served as a Non-Executive Director on the Board for around 18 months prior to that time.

He joined the Royal Navy straight from Newcastle Royal Grammar School in 1976, and held a variety of sea- and shore-based roles during a Navy career that spanned 38 years. Ultimately promoted to Vice Admiral in 2009 and appointed as Chief of Materiel Fleet, he managed the RN's support and acquisition programme for all ships and submarines and was responsible for the operation of the RN's 3 naval bases. With over 4,500 people and a budget of £5.4 billion pa, the post included both Defence Equipment and Support Main Board and Navy Board membership and chairmanship of the DE&S Safety Board.

Sir Andrew was appointed CB in 2008 and knighted in 2013. He retired from the Royal Navy in March 2014, and in addition to his NNL role he sits as an independent Non-Executive Director on the board of Devonport Royal Dockyard Ltd and is a senior advisor to Atkins and EdF Nuclear New Build Generation Company. He is a fellow of the Royal Academy of Engineering.



Paul Howarth, Managing Director

Paul was appointed as Managing Director of the National Nuclear Laboratory on 1 January 2011.

Paul began his career with an 11-year spell working for the BNFL Group in a variety of roles within the Research and Technology area, culminating in his being appointed as Programme Director for Advanced Reactors and Head of Group Science and Skills Strategy. He left BNFL to be the co-founder of the Dalton Nuclear Institute at The University of Manchester, prior to joining NNL in 2009.

A Technology Director with a track record of establishing and delivering multi-million pound nuclear energy programmes, Paul has a wide understanding and appreciation of the varied drivers in the academic and business worlds. Paul has run large groups and extensive portfolios in both environments and engaged with senior stakeholders across Government, academia and industry. He has a strong knowledge of the research affairs of national and international nuclear organisations.





Jilly Atherton, People Director

Jilly joined NNL as People Director in October 2014, having worked internationally as a human resources professional for over 20 years across various industry sectors for FTSE 100 equivalent companies, including Trelleborg Offshore, British Airways and Halifax. Prior to this she was a civil servant working for the Employment Service at Her Majesty's Revenue and Customs.

As member of the Chartered Institute of Personnel Development (CIPD), Jilly is an accomplished HR strategic partner working at Board and Executive levels on a global platform. During her earlier career she focused on HR specialisms including Reward, Engagement and Industrial Relations. Taking a break from HR, she ran a commercial Programme Office for a couple of years to enhance her business knowledge and skills portfolio, which culminated in the sale of BA Connect to FlyBE in November 2006 and the set-up of BA CityFlyer.

Ruth Dunphy, Chief Financial Officer

Ruth joined NNL in November 2015 as Chief Financial Officer. Ruth is a member of the Chartered Institute of Management Accountants (CIMA) with over 15 years post-qualified experience. She brings a breadth of experience across a variety of industry sectors and has worked for a number of large to mid-sized UK and international organizations with differing ownership structures. Over the past ten years, Ruth has worked in Engineering and Construction companies specialising in the Utility sectors.

Ruth's career before NNL includes roles at IMI Norgren, Airtours Holidays, Akzo Nobel and Alfred McAlpine. In 2008, Ruth joined Biwater Treatment, which was subsequently acquired by MWH in 2010, where she was part of the executive team responsible for double-digit revenues growth in the construction business, trebling its order book and overseeing diversification into Waste to Energy. In 2012, Ruth was promoted to UK Group Finance Director and went on to lead the roll out of the UK Shared Service Centre.

Throughout her career Ruth has specialised in a number of areas, including performance improvement, growth and diversification, business change and transformation including post-acquisition integration. Ruth is committed to Business Partnering, successfully reshaping Finance and other support functions to meet business needs.

Andrew Sherry, Chief Scientist

Professor Andrew Sherry was appointed as NNL's Chief Scientist in January 2015, joining NNL from The University of Manchester where he was Director of the Dalton Nuclear Institute. Previously he was Director of the University's Materials Performance Centre, held a Royal Society Industry Fellowship, and was a Senior Consultant in the nuclear industry working within the field of materials and structural integrity.

Andrew led the establishment of the flagship Dalton Cumbrian Facility, a partnership with the Nuclear Decommissioning Authority to create a centre of excellence in radiation science and engineering decommissioning research, and led the collaboration with Sheffield University to create the Nuclear Advanced Manufacturing Research Centre. He was also Programme Director for the £8 million "New Nuclear Manufacturing" research programme funded by the Engineering and Physical Research Council, the Universities of Manchester and Sheffield and Rolls-Royce.

Andrew is a member of both the UK Nuclear Industry Council and of the UK Nuclear Innovation Research Advisory Board. He provides independent advice on strategic and technical aspects of nuclear power and has advised international nuclear bodies including CEA, INL and the Korea Atomic Energy Research Institute.

Iain Lanaghan

Iain Lanaghan joined the NNL Board as a Non-Executive Director and Chairman of the Audit Committee in July 2014. He has over thirty years' experience as a Chief Financial Officer of both listed and private equity backed companies, and has specialised in growing, commercialising and financing international companies.

Iain is founder and non-executive chairman of Movell – The Bus Company Limited. The group has grown from a start-up in 2011 to turnover of over €30m and is now one of the largest independent bus companies in Germany. He is a non-executive director and chairman of the audit committee of Northern Petroleum plc. He also advises other companies, particularly in the energy sector.

Iain was Group Finance Director of FTSE 250 FirstGroup plc and AIM listed Faroe Petroleum plc. He co-founded and was CFO of Abellio GmbH. He prepared private equity backed Atlantic Power for IPO prior to a successful trade exit. He was also Finance Director of PowerGen International, which grew from a start-up to \$7bn of operated projects. He is a member of the Institute of Chartered Accountants of Scotland, having worked with KPMG in London and Frankfurt.

Jonathan Walker, Non-Executive Director

Jonathan is the Government's non-executive shareholder representative on the NNL Board. He joined UK Government Investment (formerly Shareholder Executive) in July 2013 as an Executive Director and has been involved in a number of roles there, including working with CDC, Land Registry, Royal Mail and on Student Loans monetisation.

Prior to joining the Shareholder Executive, Jonathan spent sixteen years in Corporate Finance and Corporate Broking at JPMorgan Cazenove, Merrill Lynch and Oriel Securities, based in London. During his career Jonathan has advised on a broad range of UK and cross-border Corporate Broking, Capital Markets and M&A assignments, with a particular focus on the Industrial, Natural Resources and Support Services sectors.

Mike Weightman, Non-Executive Director

Mike Weightman joined NNL's Board as a Non-Executive Director in 2014, following his retirement as HM Chief Inspector of Nuclear Installations and CEO of the Office for Nuclear Regulation.

As part of his career in the Health and Safety Executive, Mike led the independent investigation into the Potters Bar rail disaster. He also prepared the nuclear regulator for new nuclear build and drove forward the Office for Nuclear Regulation toward independent operation as a statutory corporation.

He is well known internationally, having been the Chair of the OECD Nuclear Energy Agency's Committee on Nuclear Regulatory Activities. He is also a member of the IAEA's International Nuclear Safety Advisory Group, and led the IAEA's Fukushima Fact Finding Mission to Japan in May/June 2011.

In addition to his role with NNL, Mike is an independent international advisor to the Japanese Nuclear Regulation Authority, a visiting Professor at Cambridge University's Engineering Department, a consultant to the NEA and IAEA and an independent Advisor to several engineering companies.

In 2013 he was made a Companion of the Order of the Bath for his services to nuclear safety.



The remuneration committee, chaired by Sir Andrew Mathews, meets at least once a year to agree the remuneration policy and practice for Executive Directors and other senior staff. The committee also advises on the direction of the overall remuneration strategy for all staff. The other Non-Executive directors also serve on the remuneration committee. Executives are invited to attend as appropriate but no executive is present for discussions on matters concerning their own remuneration.

The total remuneration of the executive directors was as follows:

	2016 Number	2015 Number
£25,001 - £50,000	1	-
£50,001 - £75,000	1	1
£150,001 - £175,000	2	-
£175,001 - £200,000	-	1
£250,001 - £275,000	1	1

Total remuneration includes salary, annual bonuses, benefits in kind and pension contributions. A proportion of each executive director's pay is dependent upon performance. The maximum percentage available as an additional payment based on performance is 40%.

At the end of the year NNL had 4 Executive Directors- an increase of 1 from last year following the appointment of the Chief Scientist to the board in January 2016. The table above shows remuneration for 5 Executive Directors as it includes the remuneration of David Healey who resigned from his post as Finance and Commercial Director in July 2015.

No employees received remuneration in excess of the highest paid director. The remuneration of the highest paid director was 4.5 times the average remuneration of the workforce.

The services of Paul Howarth were contracted from Battelle UK Limited for six months to September 2015 but in October Paul became an NNL employee. The figures above include the amounts paid to Battelle in respect of his salary, annual bonuses, benefits in kind and pension contributions.

Purpose of the governance statement

The governance statement is intended to give a clear understanding of the dynamics of the business and its control structure. NNL is not required to comply with the provisions of the UK Corporate Governance Code ("The Code"), does not intend to fully comply with the Code and does not give a statement of compliance with the Code. However, this governance statement explains how NNL has complied with the principles of good governance and how it reviews the effectiveness of these arrangements.



Strategic report | 6.1 Governance Framework

The Department of Energy and Climate Change (DECC) is the owner of the National Nuclear Laboratory Limited (NNL). Until 31 March 2016 DECC managed its ownership through the Shareholder Executive (ShEx), an executive agency within the department for Business Innovation and Skills (BIS). Up to 31 March 2016 the role of ShEx was to advise DECC ministers on the management of the Government's interest in NNL and a ShEx representative was a member of the Board. With effect from 1 April 2016 ShEx joined with UK Financial Investments Ltd (UKFI) to form a single holding company - UK Government Investments Ltd (UKGI) and from that date government's ownership of NNL has been managed through UKGI.

The Board has responsibility for maintaining a sound system of internal control that supports achievement of NNL's policies, aims and objectives, whilst safeguarding NNL's assets.

The Board of Directors supports high standards of governance and, in so far as is practicable given the business' size and status, has, together with UKGI, continued to develop the governance of the business in accordance with the UK Corporate Governance Code.



The Board of Directors currently comprises a Non-Executive Chairman, three further Non-Executive Directors and four Executive Directors (the Managing Director, the Chief Financial Officer, the People Director and the Chief Scientist). The Board met 6 times in 2015-16 (2013-14 - 6 times).

Attendance by members at the Board and Committee meetings are set out in the table below.

Name	Position	Board	Audit Committee	Remuneration Committee
Richard Maudslay	Chairman	4/4	1/1	5/5
Sir Andrew Mathews	Non-Executive Director / Chairman	6	1/1	1/1
Paul Howarth	Managing Director	6		
Jilly Atherton	People Director	6		
Ruth Dunphy	Chief Financial Officer	3/3		
David Healey	Finance Director	1/1		
Andrew Sherry	Chief Scientist	2/2		
Iain Lanaghan	Non-Executive Director	6	3	6
Craig Lester	Non-Executive Director	4/5	1/1	5/6
Jonathan Walker	Non-Executive Director	1/1	2/2	
Mike Weightman	Non-Executive Director	6	2/3	4/6
Number of meetings		6	3	6



The role of the Board

The role of the Board is to provide leadership of NNL, within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board sets NNL's strategic aims, ensures the financial and human resources are in place for NNL to meet its objectives and reviews management performance. The Board sets NNL's values and standards and ensures that its obligations to its shareholders and others are understood and met.

The specific roles and responsibilities of the Board include:

- Approval of the annual strategy, five year plans and budget
- Oversight of the corporate risk register and internal control systems
- Oversight of business performance
- Approval of major contracts and capital expenditure
- Development of remuneration systems for Executive Directors, including performance related pay
- Approval of Senior Executive appointments or, where appropriate, recommendation of appointments to ShEx/ UKGI
- Performance appraisal of Executive Management plus succession planning
- Scrutiny of financial accounts through the Audit Committee of the Board
- Compliance with statutory requirements
- Annual evaluation of its performance and that of its committees

Quality information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. All Directors have access to independent professional advice, at NNL's expense, if required.

The Board of Directors confirms that it considers the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary to assess NNL's performance, business model and strategy.

The Board reviews its effectiveness in a number of ways, including the Chairman undertaking one-to-one meetings with each Director. A report is prepared for the Board which considers the collective findings. The Board has reviewed and accepted the feedback of this year's positive report and has taken steps to improve further its effective performance going forward.

Audit Committee

The Audit Committee is responsible for the independent assessment of NNL's control environment, risk management and effectiveness of corporate governance and for providing advice and challenge on risks that may impact the organisation.

The Audit Committee comprises of four independent Non-Executive Directors and is chaired by a Non-Executive Director, currently Iain Lanaghan. The Committee invites the Executive Directors and senior representatives of the external auditors to attend meetings as and when appropriate.

The Committee met 3 times in 2015-16 and will meet at least two times each year from 2016-17 onwards.

Remuneration Committee

The Remuneration Committee is responsible for reviewing and recommending Executive Director and Executive Leadership Team salaries, performance related payments and taxable benefits.

The Committee is made up of all Non-Executive Directors and is chaired by the Board Chairman. The Committee invites the Executive Directors to attend meetings as appropriate (other than when their own remuneration and/or terms and conditions of employment are under discussion).

The Committee met 6 times in 2015-16 and will meet at least three times each year in future.



Technical Advisory Board

The Technical Advisory Board (TAB) is not a formal Board subcommittee but it was established in 2014/15 to provide advice to the NNL Board and Executive Leadership Team on the impact of Science, Technology and Engineering in underpinning the NNL Strategic Plan and NNL's remit as defined in the Nuclear Industry Strategy.

The remit of the TAB is to ensure that self invested National Programme Research and Development (R&D) funds are invested in the best topic areas and that NNL's quality of science and engineering is of an appropriate standard for a national laboratory.

The TAB is chaired by a non-executive director, currently Mike Weightman, and it includes representatives of strategic partners from academia, government and industrial organisations. Representatives from other organisations are invited as appropriate, particularly overseas national laboratories.

Executive Leadership Team

The Managing Director has primary responsibility for the day-to-day management of the business and discharges his responsibilities through an Executive Leadership Team, whose membership is made up of the Executives leading the main functions of the business. The Executive Leadership Team meets formally on a regular basis and not fewer than 12 times a year.

The roles and responsibilities of the Executive Leadership Team include:

- Implementation of the strategic plan and efficient operation of the business
- Development and implementation of a long term strategy in conjunction with the Board
- Development of an annual business plan for approval by the Board
- Approval of all capital expenditure and major contracts not requiring Board approval

- Preparation of a risk register and subsequent reviews and mitigating actions
- Development of performance improvement programmes
- Establishment, maintenance and development of operating procedures
- Working with the Remuneration Committee to develop remuneration systems for staff, including performance related pay





NNL's directors remain confident about the future of the business. Nevertheless, risks and uncertainties do exist which could adversely impact future financial performance. The approach to risk and opportunity management was redesigned in 2015/16 to improve the effectiveness of the approach and the performance of the business. Our new approach has the twin aims of driving the business to achieve its Strategic Objectives and mitigating the risks that could be encountered

in doing so. Our Executive Risk Register is monitored on a quarterly basis and Executive sponsors reassess their risks (pre and post mitigation) and revise plans accordingly.

The directors consider the principal risks to be in the areas of:

- Operational "safety"
- Relationships and reputation
- Resourcing, skills & capabilities
- Financial Performance



The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of NNL's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The system of internal control is based on a framework of regular information, administrative procedures and a system of delegation and accountability. In particular it includes:

- Comprehensive budgeting and forecasting systems with an annual operating plan which is reviewed and approved by the main board
- Regular reviews by the main board of periodic and annual reports which indicate performance against the budget and forecast
- Setting targets and KPIs to measure financial and other performance
- Clearly defined capital investment control guidelines;
- Clearly defined financial delegations

Approval

This report was approved by order of the Board.

David Dukes
Secretary





The Directors present their report together with the audited financial statements for the year ended 31 March 2016.

Directors

The directors of NNL during the year were:

Sir Andrew Mathews KCB FEng	Chairman	Appointed chairman 04.01.2016
Richard Maudslay CBE FEng	Chairman	Resigned 17.12.15
Paul Howarth FEng	Managing Director	
Jilly Atherton MCIPD	People Director	
Ruth Dunphy ACMA	Chief Financial Officer	Appointed 16.11.15
David Healey FCCA	Finance Director	Resigned 07.07.15
Andrew Sherry FEng	Chief Scientist	Appointed 01.01.16
Iain Lanaghan CA	Non-Executive Director	
Craig Lester	Non-Executive Director	Resigned 28.01.16
Jonathan Walker	Non-Executive Director	Appointed 28.01.16
Mike Weightman CB FEng	Non-Executive Director	

Directors' responsibilities

The Directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements
- 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 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 requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The Statement of Comprehensive Income is set out on page 29 and shows the profit for the period.

A detailed review is set out in the strategic report.

The directors do not recommend the payment of a dividend (2015 - £Nil).





Support for people with disabilities

Job applicants and NNL employees with disabilities will have the same consideration for job vacancies as any other candidates. NNL is committed to a policy of equal opportunities for all employees. Great care is exercised in our recruitment and selection procedures to ensure that there is no discrimination and that training is given to meet individual needs. Applications by people with disabilities are given full and fair consideration and wherever practical, provision is made for their special needs. The same criteria for training and promotion apply to people with disabilities as to any other employee. If an employee becomes disabled, every effort is made to ensure their continued employment. Reasonable adjustments to the workplace and to working methods will be made wherever it is reasonable and practicable to do so. People with disabilities will have the same scope to realise their potential and the same prospects as any other employees. Managers are encouraged, and have the authority, to respond to the needs of people with disabilities including adjusting working hours or responsibilities.

Employee involvement

It is NNL's policy to encourage employee involvement as the directors consider that this is essential for the successful running of the business. NNL keeps employees informed of performance, developments and progress by way of an intranet, e-communications, newsletters and briefing sessions. Employees are represented by trades unions.

Charitable and political contributions

During the period, a total of £37,900 was made in charitable donations to support community projects and for charities promoting Science, Technology, Engineering and Mathematics (STEM) subjects (2015 - £29,730). Also during the period, a total of £55,620 of internal time was spent on corporate responsibility projects (2015 - £66,193). The level of expenditure recognises NNL's national role in underpinning STEM activities.

NNL has a policy on not making political donations and consequently there were no political donations during the period (2015 - £Nil).

Insurance

The NNL's insurance requirements are provided through policies held in its own name.

Auditor

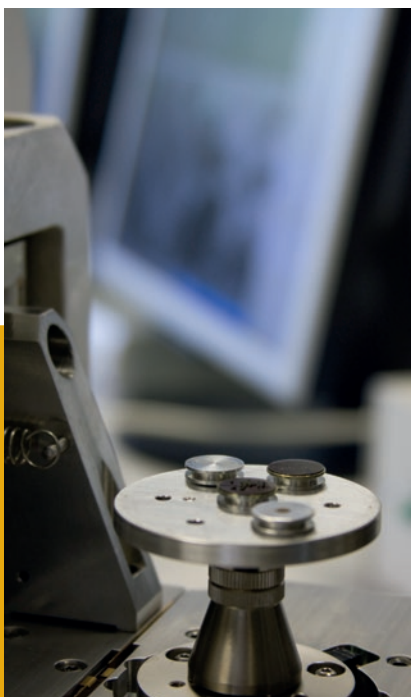
All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by NNL's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

By order of the board.

David Dukes
Secretary

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NATIONAL
NUCELAR LABORATORIES LIMITED**

We have audited the financial statements of National Nuclear Laboratories Limited for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law International Financial Reporting Standards (IFRSs) as adopted by the European Union.



This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the European Union
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Statement of Comprehensive Income | for the year ended 31 March 2016



	Note	2016 £'000	2015 £'000
Revenue	2	101,341	99,568
Cost of sales		(70,949)	(70,837)
Gross profit		30,392	28,731
Administrative expenses		(20,383)	(20,541)
Profit from operations before exceptional items		10,009	8,190
Exceptional items included in administrative expenses	3	(6,226)	-
Profit from operations	3	3,783	8,190
Finance income	6	823	505
Finance expense	6	(754)	(964)
Profit before tax		3,852	7,731
Taxation	7	1,798	712
Profit for the year		5,650	8,443
Other comprehensive income			
Actuarial gains/(losses) in defined benefit pension schemes	21	1,704	(1,528)
Total other comprehensive income/(loss)		1,704	(1,528)
Total comprehensive income		7,354	6,915

The notes on pages 33 to 60 form part of these financial statements.

Company number 3857752	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Assets					
Non-current assets					
Property, plant and equipment	9	53,273		44,831	
Intangible assets	10	4,975		4,680	
Investments	11	-		1	
Trade and other receivables	12	17,931		18,535	
Retirement benefit obligations	21	141		-	
Total non-current assets			76,320		68,047
Current assets					
Trade and other receivables	12	37,478	31,323		
Cash and cash equivalents	13	10,365		12,069	
Total current assets			47,843		43,392
Total assets					
			124,163		111,439
Equity and liabilities					
Equity					
Share capital	18	25		25	
Retained earnings	19	44,021		36,667	
Capital and reserves attributable to equity holders of the Company					
			44,046		36,692
Non-current liabilities					
Trade and other payables	14	34,467		30,343	
Provisions	15	10,682		9,888	
Retirement benefit obligations	21	-		1,714	
Total non-current liabilities			45,149		41,945
Current liabilities					
Trade and other payables	14	33,683		31,521	
Provisions	15	1,285		1,281	
Total current liabilities			34,968		32,802
Total liabilities					
			80,117		74,747
Total equity and liabilities					
			124,163		111,439

The financial statements were approved and authorised for issue by the Board of Directors on and signed on its behalf by:

Ruth Dunphy
Chief Financial Officer

Statement of Cash Flows | for the year ended 31 March 2016



	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Cash flows from operating activities					
Profit before tax		3,852		7,730	
Adjustments for:					
Depreciation	3	1,984		1,407	
Amortisation	3	264		483	
Asset impairment	3	370		1,114	
Non-cash movements relating to share of defined benefit pension scheme obligations	21	1,704		(1,528)	
Interest receivable	6	(823)		(505)	
Interest payable	6	754		964	
			8,105		9,665
Cash flows from operating profit before changes in working capital and provisions					
(Increase)/decrease in trade and other receivables		(4,245)		3,104	
Increase/(decrease) in trade and other payables		3,851		(1,136)	
Increase/(decrease) in provisions		309		(1,108)	
			(85)		860
Total changes in working capital and provisions					
Cash generated by operations			8,020		10,525
Tax received	7		1,107		916
Net cash flows from operations			9,127		11,441
Investing activities					
Purchases of property, plant and equipment	9	(10,064)		(10,438)	
Purchases of intangible assets	10	(535)		(1,662)	
			(10,599)		(12,100)
Cash flows from investing activities					
Financing activities					
Interest received	6	32		44	
Interest paid	6	(264)		(381)	
			(232)		(337)
Cash inflows from financing activities					
Net decrease in cash and cash equivalents			(1,704)		(996)
Cash and cash equivalents at beginning of the year	13		12,069		13,065
Cash and cash equivalents at end of the year	13		10,365		12,069

The notes on pages 33 to 60 form part of these financial statements.

Statement of Changes in Equity | for the year ended 31 March 2016

	Share capital £'000	Retained Earnings £'000	Total £'000
At 1 April 2014	25	29,752	29,777
Profit for the year	-	8,443	8,443
Other comprehensive income	-	(1,528)	(1,528)
Total comprehensive income	-	6,915	6,915
At 31 March 2015 and 1 April 2015	25	36,667	36,692
Profit for the year	-	5,650	5,650
Other comprehensive income	-	1,704	1,704
Total comprehensive income	-	7,354	7,354
At 31 March 2016	25	44,021	44,046





1 Accounting policies

The following principal accounting policies have been applied consistently in the preparation of these financial statements in accordance with the Companies Act 2006. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS), as issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the most appropriate application in applying NNL's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed below.

NNL is exempt from preparing consolidated financial statements on the grounds that it qualifies under the Companies Act 2006 as a wholly owned subsidiary of a company registered in England and Wales for which consolidated financial statements are prepared. These financial statements therefore present information about NNL as an individual undertaking and not about its group.

All amounts are presented in Sterling and, unless otherwise stated, rounded to the nearest £1,000.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

For contracts entered into for the provision of services extending over a period of years (long-term contracts), turnover represents the value of work done in the year including where appropriate estimates of amounts not invoiced. The majority of work performed is charged to customers based on cost with an agreed mark-up and as such, revenue is recognised in proportion to the value of work performed. Where fixed-price contracts are in place with customers, revenue is recognised against work performed.

Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable.

Foreign currency

Transactions entered into by NNL in a currency other than sterling are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the profit and loss for the period.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in the profit or loss, any exchange component of that gain or loss shall be recognised in the profit or loss.

NNL's policy is to hedge against significant foreign exchange exposures, however, at the Statement of Financial Position date NNL did not hold nor had it issued any derivative instruments, intended to hedge our exposures.

1 Accounting policies

Leased assets

Where substantially all of the risks and rewards incidental to ownership are retained by the company (an "operating lease"), the total rentals payable under the lease are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Retirement benefits: Defined benefit schemes

A defined benefit scheme is a pension plan that defines an amount of pension benefit that an employee will receive on retirement.

In respect of a defined benefit scheme, the pension scheme surplus or deficit represents the difference between:

- the fair value of scheme assets at the Statement of Financial Position date
- scheme liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities
- adjustments for unrecognised past service costs

The Statement of Comprehensive Income charge is split between an operating service cost and a financing charge, which is the net of the interest cost on pension scheme liabilities and expected return on plan assets. Actuarial gains and losses are recognised in full during the period, in the Statement of Comprehensive Income. If NNL cannot benefit from a scheme surplus in the form of refunds from the plan or reductions in future contributions, any asset resulting from the above policy is restricted accordingly.

Any difference between the expected return on assets and that actually achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the scheme, are recognised in other comprehensive income in the period in which they arise.

Past service costs are recognised directly in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past service costs are amortised on a straight line basis over the vesting period.

Where improvements are made to benefits payable under a defined benefit scheme, the effect on the plan liability is recognised in the Statement of Comprehensive Income on a straight-line basis over the average period until the employees become entitled to the improved benefits. Where the benefits vest immediately, the effect of the change is recognised immediately.





1 Accounting policies

Retirement benefits: Defined contribution schemes

A defined contribution scheme is a pension plan under which NNL pays fixed contributions to a separate entity. Contributions to defined contribution pension schemes are charged to the Statement of Comprehensive Income in the period to which they relate. The Company has a defined contribution scheme with one active member and its Combined Pension Scheme (CPS) which provides defined benefits to members is accounted for on a defined contribution basis.

The CPS is a multi-employer scheme which provides defined benefits to its members. In common with other unfunded public sector schemes the CPS does not have the attributes of typical defined benefit schemes. Any surplus of contributions made in excess of benefits paid out in any year is surrendered to the Consolidated Fund and any liabilities are met from the Consolidated Fund via an annual Parliamentary vote. Her Majesty's Government does not maintain a separate fund. In common with defined benefit pension schemes NNL does however bear the risk that it will have to increase its contributions in accordance with the Government Actuaries Department's assessment of the funding required to provide benefits under the scheme.



1 Accounting policies

Financial assets

NNL classifies its financial assets into one of the following categories, depending on the nature of the asset. NNL's accounting policy for each category is as follows:

Property, Plant and Equipment

Property, Plant and Equipment (other than assets in the course of construction) are stated in the Statement of Financial Position at cost less accumulated depreciation. Assets in the course of construction are stated at cost and are not depreciated until commissioned. The cost of assets will include directly attributable staff costs associated with bringing the asset into the location and condition for it to be capable of operating in the manner intended by management. This includes the cost of testing whether the asset is functioning properly.

The carrying values of Property, Plant and Equipment are reviewed for impairment if events or changes in circumstances indicate that a provision for impairment is required. Accumulated depreciation includes any additional charges made where necessary to reflect impairments in value.

Depreciation is calculated to write off historical costs less residual value of assets, by equal annual instalments over their estimated useful economic lives as follows:

Plant and machinery - 3 to 20 years
Fixtures and fittings - 3 to 20 years

Intangible assets

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. The carrying amount is reduced by any provision for impairment where necessary.

Internal expenditure is capitalised as internally generated intangibles only if it meets the criteria of IAS 38 'Intangible Assets'.

Criteria of IAS 38 - the asset is separable, i.e. it is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so, or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The cost of the intangible asset must be able to be measured reliably.



Service Concessions

The service concession arrangement on Phase 2 works at the Company's Central Laboratory consists of future revenue, some of which is guaranteed. The guaranteed and fixed future revenue are classified as a financial asset loan receivable. An intangible asset is recognised for the non guaranteed future revenue where it is probable that the revenue will be generated.

Intangible assets are amortised on a straight line basis over their estimated useful lives:

Computer software - 1 to 5 years
Service concessions - 6 years

Trade and other receivables

Trade and other receivables arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that NNL will be unable to collect all of the amounts due. The amount of such a provision being the difference between the net carrying amount and the future expected cash flows associated with the impaired receivable.

For trade receivables, which are carried at cost less any provision for impairment; such provisions are recorded in a separate allowance account with the loss being recognised within administrative

expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Statement of Financial Position differs to its tax base, except for differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the deferred tax liabilities are settled. Deferred tax balances are not discounted.

Cash and cash equivalents

These include cash in hand and deposits held on call with banks.

1 Accounting policies

Financial liabilities

NNL classifies its financial liabilities into one of the following categories, depending on the nature of the liability. NNL's accounting policy for each category is as follows:

Trade and other payables

Trade payables and other short-term monetary liabilities, which are recognised at fair value.

Government grants

Grants relating to expenditure on property, plant and equipment are recognised in the statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in liabilities as other payables. Grants relating to revenue expenditure are recognised in the statement of comprehensive income in the same period in which the revenue expenditure arises.

Provisions

Provisions are recognised, at current price levels, for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at 2.5%, a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

Revalorisation

Revalorisation arises because provisions are stated in the Statement of Financial Position at current price levels and discounted at 2.5% per annum from the eventual payment dates. The revalorisation charge is the adjustment that results from restating these liabilities to take into account the effect of inflation in the year and to remove the effect of one year's discount as the eventual dates of payment become one year closer. The inflation rate used is specific to the expected cost increase in the underlying liability. Each year the finance charges in the Statement of Comprehensive Income include revalorisation required to discharge one year's inflation and discount from the liability.

Share Capital

Financial instruments issued by NNL are treated as equity only to the extent that they do not meet the definition of a financial liability. NNL's ordinary shares are classified as equity instruments.



Critical accounting estimates and judgements

NNL makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements

(a) Useful lives of intangible and tangible assets

Intangible and tangible assets are amortised or depreciated over their useful lives.

Useful lives are based on the Directors' estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness.

(b) Provisions

The provisions recorded in the financial statements represent the Directors' best estimates of the costs expected to be incurred as at the Statement of Financial Position date.

Early retirees

The provision relates to the cost of funding the pension payments for specific individuals who are expected to leave under an early retirement scheme at the age of sixty, five years before they are able to draw their pension at sixty-five. NNL is liable for these pension payments from the age of sixty to sixty five. The amounts provided

are based on best estimates of the anticipated pensions for the employees in questions and will be utilised over the next 7 years.

Severance

The severance provision relates to severance obligations payable as pensions to employees who left NNL through redundancy. The amounts provided are based on best estimates of the severance costs of employees who have left under severance terms and will be utilised over the next 30 years.

Loss making contracts

These are onerous contract provisions and have been calculated based on the latest technical evaluation of the processes and methods likely to be used, and reflect current knowledge. The provision relates to fixed-price, loss-making contracts. The loss has been calculated based on current costs and performance in line with the agreed schedule of work for the remaining duration of the contracts.

Other

These provisions are based on such commercial agreements that are currently in place, and reflect the Directors' understanding of the current Company policy and regulatory framework. NNL is responsible for Post Operational Clean Out (POCO) costs or removing and disposing of the plant, equipment and consumables which have become radiologically contaminated during operations within the facilities. Of the total other provision £4.3m relates to POCO (2015 - £3.9m). The provision has been estimated based on the weight, packing density and levels of contamination of the plant, equipment and consumables

contaminated, multiplied by the agreed cost of disposal with the appropriate supplier. The provision represents the best estimate of the future cashflows required to meet these obligations. Due to the nature of the provision the future utilisation of the provision is uncertain.

The provisions recorded in these financial statements are shown in note 15.

(c) Pension assumptions

NNL's share of costs, assets and liabilities of the defined benefit scheme are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 21.

NNL takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the Statement of Comprehensive Income and the Statement of Financial Position.

(d) Revenue Recognition

Revenue is recognised to the extent that work has been completed and an agreed purchase order from a customer covering the work is held. As a result at 31 March 2016 £18.7m (2015 - £13.8m) of accrued income was recognised as NNL had completed work before the balance sheet date and held agreed purchase orders.

New standards and interpretations

The accounting policies adopted are consistent with those of the previous year except as follows:

In preparing the Company financial statements for the current year, the Company has adopted the following new International Financial Reporting Standards (IFRS), amendments to IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations, none of which have had a significant effect on the results or net assets of the group:

(i) New standards, amendments to published standards and interpretations to existing standards effective in the current financial year adopted by the Company:

- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits
- Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
- Government Loans (Amendments to IFRS 1)

(ii) Standards, amendments and interpretations to published standards not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Company's future financial statements:

- IFRS 9 Financial Instruments
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Recoverable amounts disclosures for non-financial assets (Amendments to IAS 36)
- Annual Improvements to IFRSs (2012-2015 Cycle)
- Clarification of Acceptable Methods of Depreciation and Amortisation: Amendments to IAS 16 and IAS 38
- IFRS 15 Revenue from Contracts with Customers

None of the other new standards, interpretations and amendments, which are effective for periods beginning after 1 April 2015 and which have not been adopted early, are expected to have a material effect on the Company's future financial statements.



2 Revenue and business segments

NNL's principal activity is the provision of technology services across the nuclear fuel cycle.

cycle: waste management and decommissioning, fuel cycle solutions and reactor operations support.

The Directors are of the opinion that NNL's activities fall within one operating segment, being the provision of technology services across the nuclear fuel cycle. There are three key areas of this

Revenue arises entirely from the sale of services. Sales to overseas customers make up a small proportion of total revenue at £1,307,718 (2015 - £1,250,682).

3 Profit from operations

	2016	2015
	£'000	£'000
This has been arrived at after charging/(crediting):		
Staff costs (see note 4)	49,394	48,183
Depreciation (see note 9)	1,984	1,407
Amortisation (see note 10)	264	483
Asset impairment (see note 9)	370	1,114
Research and development expenses	863	1,177
Operating lease expense:		
- rent	2,002	2,112
- other	201	186
Auditor's remuneration:		
- audit services	31	29
- other services	25	36
Foreign exchange (gain)/loss (see note 6)	(35)	93
Exceptional item:		
Costs associated with restructuring programme	6,226	-

6 Finance income and expense

	2016	2015
	£'000	£'000
Finance income:		
Bank interest receivable	32	44
Finance debtor income	756	426
Revalorisation	-	35
Foreign exchange gain	35	-
	<hr/> 823	<hr/> 505
Finance expense:		
Bank charges	4	6
Interest payable on loans from group undertakings	261	260
Revalorisation	489	605
Foreign exchange loss	-	93
	<hr/> 754	<hr/> 964



7 Taxation

	2016	2015
	£'000	£'000
United Kingdom corporation tax credit		
Current year	(1,135)	(2,190)
Adjustments in respect of prior years	(42)	4
Tax reclaimed on research and development	2,975	2,898
Total tax credit	1,798	712

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2016	2015
	£'000	£'000
Profit before tax	3,852	7,730
Expected tax charge based on the standard rate of corporation tax in the UK of 20% (2015 - 21%)	(770)	(1,623)
Items not deductible for tax purposes and other items	(263)	(329)
Pension scheme adjustments	(341)	321
Movement in deferred tax not recognised	834	49
Tax credits on research and development	(595)	(608)
Tax reclaimed on research and development	2,975	2,898
Adjustments in respect of prior years	(42)	4
Tax credit	1,798	712

NNL's tax reclaim for 2016 is £2,975,763 (2015 - £2,897,581). This is due to tax credits received from HMRC for research and development activities.

Future tax liabilities arising from operations are expected to be offset by tax credits on research and development.

8 Dividends

No dividends have been declared or paid during the current or previous year.

9 Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 April 2014	3,728	6,513	31,788	42,029
Reclassified to intangible assets	-	-	(692)	(692)
Additions	-	-	12,556	12,556
Transfers from assets in course of construction	2,124	10,549	(12,673)	-
Disposals	(50)	(1,891)	-	(1,941)
At 31 March 2015	5,802	15,171	30,979	51,952
Accumulated depreciation and impairment				
At 1 April 2014	2,279	4,470	-	6,749
Reclassified to intangible assets	75	(283)	-	(208)
Depreciation charge for the year	573	834	-	1,407
Impairment loss	-	-	1,114	1,114
Disposals	(50)	(1,891)	-	(1,941)
At 31 March 2015	2,877	3,130	1,114	7,121
Net book value				
At 1 April 2014	1,449	2,043	31,788	35,280
At 31 March 2015	2,925	12,041	29,865	44,831
Cost				
At 1 April 2015	5,802	15,171	30,979	51,952
Additions	97	53	10,646	10,796
Transfers from assets in course of construction	3,613	6,071	(9,684)	-
Disposals	(1,314)	(508)	(1,484)	(3,306)
At 31 March 2016	8,198	20,787	30,457	59,442
Accumulated depreciation and impairment				
At 1 April 2015	2,877	3,130	1,114	7,121
Depreciation charge for the year	1,007	977	-	1,984
Impairment loss	-	-	370	370
Disposals	(1,314)	(508)	(1,484)	(3,306)
At 31 March 2016	2,570	3,599	-	6,169
Net book value				
At 1 April 2015	2,925	12,041	29,865	44,831
At 31 March 2016	5,628	17,188	30,457	53,273

Assets in the course of construction refer to a number of ongoing major projects including Windscale Laboratory enhancements, commissioning of Central Laboratory Phase 3 and establishment of both a Nuclear Fuel Centre of Excellence and a National Nuclear User Facility. The impairment loss relates to costs written off following a change in approach to the commissioning of a hoist in B13.

Additions include £731k of accrued costs not yet invoiced (2015 - £2,118k).



10 Intangible assets

	Computer software £'000	Service concession £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 April 2014	1,303	2,570	113	3,986
Reclassified from property, plant and equipment	-	-	692	692
Additions	-	1,415	423	1,838
Transfers from assets in course of construction	1,176	-	(1,176)	-
Disposals	(11)	-	-	(11)
At 31 March 2015	2,468	3,985	52	6,505
Accumulated amortisation				
At 1 April 2014	1,145	-	-	1,145
Reclassified from property, plant and equipment	208	-	-	208
Amortisation charge for the year	483	-	-	483
Disposals	(11)	-	-	(11)
At 31 March 2015	1,825	-	-	1,825
Net book value				
At 1 April 2014	158	2,570	113	2,841
At 31 March 2015	643	3,985	52	4,680
Cost				
At 1 April 2015	2,468	3,985	52	6,505
Additions	-	-	855	855
Transfers from assets in course of construction	497	-	(497)	-
Revaluation	-	(296)	-	(296)
Disposals	(544)	-	-	(544)
At 31 March 2016	2,421	3,689	410	6,520
Accumulated depreciation and impairment				
At 1 April 2015	1,825	-	-	1,825
Amortisation charge for the year	264	-	-	264
Disposals	(544)	-	-	(544)
At 31 March 2016	1,545	-	-	1,545
Net book value				
At 1 April 2015	643	3,985	52	4,680
At 31 March 2016	876	3,689	410	4,975

11 Investments

	Subsidiary 2016 £'000	Subsidiary 2015 £'000
At 31 March 2015	-	1

Investment in US subsidiary

NNL dissolved UK NNL Inc, a Company incorporated in the United States of America on 24 November 2015.

12 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	14,736	14,701
Prepayments and accrued income	19,263	14,203
Corporation tax	2,418	1,728
Other receivables	18,992	19,226
Total trade and other receivables	55,409	49,858
Less: non-current trade and other receivables	(17,931)	(18,535)
Current trade and other receivables	37,478	31,323

The ageing of non-current other receivables are as follows:

	2016 Finance Debtor £'000	2016 Other £'000	2016 Total £'000	2015 Finance Debtor £'000	2015 Other £'000	2015 Total £'000
1-2 years	2,963	132	3,095	2,247	191	2,438
2-5 years	8,889	268	9,157	8,987	370	9,357
Over 5 years	5,679	-	5,679	6,740	-	6,740
	17,531	400	17,931	17,974	561	18,535



12 Trade and other receivables

The fair value of trade and other receivables classified as loans and receivables approximates to their carrying value at 31 March 2016 and 31 March 2015.

The carrying value of NNL's trade and other receivables, and amounts due from group undertakings are denominated in the following currencies:

	2016 £'000	2015 £'000
Pound sterling	55,145	49,757
US Dollar	239	1
Euro	25	100
	55,409	49,858

At 31 March 2016 no trade receivables were impaired (2015 - £Nil). As at 31 March 2016 trade receivables of £2,632,815 (2015 - £4,792,181) were past due but not impaired. These debtor balances have been settled since the year end.

The ageing of trade receivables are as follows:

	2016 Related parties £'000	2016 Third parties £'000	2016 Total £'000	2015 Related parties £'000	2015 Third parties £'000	2015 Total £'000
Not yet due	3,773	8,330	12,103	5,963	3,945	9,908
1-30 days	1,958	533	2,491	686	2,255	2,941
31-60 days	(45)	187	142	160	37	197
61-90 days	-	-	-	1,552	30	1,582
Over 91 days	-	-	-	58	15	73
	5,686	9,050	14,736	8,419	6,282	14,701

13 Cash and cash equivalents

The cash and cash equivalent balances are broken down as follows:

	2016 £'000	2015 £'000
Cash available on demand	0,365	12,069

Book values equal fair values at 31 March 2016 and 2015. All day to day banking matters are dealt with by the NatWest Bank, part of the RBS group.

14 Trade and other payables

	2016	2015
	£'000	£'000
Payments received on account	8,955	5,229
Trade payables	2,003	1,874
Amounts due to subsidiary undertakings	-	1
Amounts due to group undertakings	4,068	4,067
Taxation and social security	3,897	3,437
Accruals	49,227	47,256
	68,150	61,864
Less: non-current trade and other payables	(34,467)	(30,343)
Current trade and other payables	33,683	31,521

The ageing of non-current other receivables are as follows:

	2016	2016	2016	2015	2015	2015
	Capital	Group	Total	Capital	Group	Total
	grants	loan	£'000	grants	loan	£'000
	£'000	£'000	£'000	£'000	£'000	£'000
1-2 years	944	2,400	3,344	1,870	3,500	5,370
2-5 years	2,833	1,600	4,433	6,609	-	6,609
Over 5 years	26,690	-	26,690	18,364	-	18,364
	30,467	4,000	34,467	26,843	3,500	30,343

The carrying value of the Group's trade and other payables are denominated in the following currencies:

	2016	2015
	£'000	£'000
Pound sterling	68,150	61,848
US Dollar	-	16
	68,150	61,864

Book values equal fair values at 31 March 2016 and 2015.



14 Trade and other payables

The ageing of the trade payables are as follows:

	2016 Related parties £'000	2016 Third Parties £'000	2016 Total £'000	2015 Related parties £'000	2015 Third parties £'000	2015 Total £'000
Not yet due	371	616	987	140	1,733	1,873
1-30 days	-	976	976	-	-	-
31-60 days	-	32	32	-	-	-
61-90 days	-	8	8	-	-	-
Over 91 days	-	-	-	-	1	1
	371	1,632	2,003	140	1,734	1,874

15 Provisions

	Early retirees £'000	Severance £'000	Loss making contracts £'000	Other £'000	Total £'000
At 1 April 2015	988	4,053	2,265	3,863	11,169
Reclassification	(102)	102	-	-	-
Charged to profit or loss	193	770	(25)	433	1,371
Utilised in year	-	(541)	(89)	(147)	(777)
Revalorisation	25	188	89	196	498
Released in the year	(19)	(9)	(225)	(41)	(294)
At 31 March 2016	1,085	4,563	2,015	4,304	11,967
At 1 April 2015					
Due within one year or less	120	390	771	-	1,281
Due after more than one year	868	3,663	1,494	3,863	9,888
	988	4,053	2,265	3,863	11,169
At 31 March 2016					
Due within one year or less	114	410	747	14	1,285
Due after more than one year	971	4,153	1,268	4,290	10,682
	1,085	4,563	2,015	4,304	11,967

Details of each category of provision are shown in note 1 to the financial statements.

16 Deferred tax

Due to the carrying amount of assets and liabilities in the Statement of Financial Position differing to their tax base, NNL has a potential deferred tax asset. The directors do not consider it appropriate to recognise a deferred tax asset at this current time, however this conclusion will be monitored in the forthcoming financial year.

A breakdown of the deferred tax asset that has not been recognised is as follows:

	2016 £'000	2015 £'000
Other timing differences	1,032	1,494
Depreciation in excess of capital allowances	(884)	(405)
	<hr/> 148 <hr/>	<hr/> 1,089 <hr/>

17 Financial instruments - Risk Management

Principal financial instruments

The principal financial instruments used by NNL, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash at bank
- Trade and other payables

In common with all other businesses NNL is exposed to risks that arise from its use of financial instruments. This note describes NNL's policies and processes for managing those risks and the methods used to measure them including quantitative information in respect of these risks.

NNL is exposed through its operations to the following financial risks:

- Foreign exchange risk - transactional risk from receipts/purchases in a foreign currency
- Credit risk - suppliers not able to fulfil contractual obligation due to financial difficulty and customer inability to pay
- Liquidity risk - managing the cash flows of NNL effectively

There have been no substantive changes in NNL's exposure to financial instrument risks or its objectives, policies and processes for managing those risks from the previous year.



17 Financial Instruments - Risk Management (continued)

Financial risk management objectives

NNL's treasury policy is structured to ensure that adequate financial resources are available for the development of its business whilst managing its currency, interest rate and counterparty credit risks. NNL's treasury policy is approved by the Board of Directors.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting NNL's competitiveness and flexibility. Further details regarding these policies are set out below:

Foreign exchange risk management

Foreign currency exposures are limited as NNL's functional currency is Sterling, although a minor proportion of revenue and expenditure is denominated in Euros and U.S Dollars.

The carrying value of NNL's cash and cash equivalents are denominated in the following currencies:

	2016	2015
	£'000	£'000
Pound Sterling	10,275	10,750
US Dollar	64	130
Euro	26	1,189
	10,365	12,069

Foreign exchange risk is not considered to be material in either the current or the preceding period.

Credit risk management

At the statement of financial position date NNL's maximum exposure to credit risks was as follows:

	2016	2016	2015	2015
	Carrying	Maximum	Carrying	Maximum
	value	exposure	value	exposure
	£'000	£'000	£'000	£'000
Cash and cash equivalents	10,365	10,365	12,069	12,069
Trade and other receivables	55,409	55,409	49,858	49,858
Total financial assets	65,774	65,774	61,927	61,927

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. NNL is exposed to credit risk from its trade receivables due from customers and cash deposits with financial institutions.

Trade receivables balances are not covered by credit insurance but customers are deemed to be of sufficient credit worthiness in order that NNL will continue to conduct trade with them.

17 Financial Instruments - Risk Management (*continued*)

Credit risk management (*continued*)

The following internal procedures are undertaken in order to assess whether NNL will grant a credit facility to them:

- obtaining status reports and reference reports for new companies
- reviewing of the trading history and payments records

Additional safeguards include the following:

- internal credit limits being set on all accounts which are only increased by credit controllers
- stop-lists produced on overdue accounts
- vigorous collection strategy in place

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum "A" credit rating are accepted.

'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

At the end of the current year and preceding year there were no significant concentrations of credit risk.

Liquidity risk management

NNL's policy is to ensure that it will always have sufficient resources to allow it to meet its liabilities as they become due.

Budgets are set and agreed by the Board of Directors in advance, to enable NNL's cash requirements to be anticipated.

Capital management

NNL manages its capital to ensure that it will be able to continue as a going concern. There have been no changes to NNL's objectives, policies and processes for managing capital from the previous period.

NNL's capital consists of cash and cash equivalents and equity attributable to equity holders of the parent. Such equity comprises share capital, and retained earnings. There have been no changes in what NNL manages as capital from the previous period.

The Board of Directors reviews NNL's capital requirements on a regular basis. Based on this review, NNL will balance its overall capital requirements through new share issues, requests for capital contributions from the parent Company, and the raising of debt financing where considered necessary.



18 Share capital

	Authorised, issued and fully paid			
	2016 Number	2015 Number	2016 £'000	2015 £'000
Ordinary shares of £1 each	25,000	25,000	25	25

19 Reserves

	2016 £'000	2015 £'000
Reserves at beginning of the year	36,667	29,752
Profit for the year	5,650	8,443
Other comprehensive income	1,704	(1,528)
Total comprehensive income	7,354	6,915
Reserves at end of the year	44,021	36,667

20 Leases

Operating leases

NNL leases all its trading locations.

NNL also leases plant and equipment from third parties. All leases are considered to be operating leases. NNL has not entered into any finance lease or hire purchase arrangements.

The total of future minimum lease payments due is as follows:

	2016 Land and buildings £'000	2015 Land and buildings £'000	2016 Other £'000	2015 Other £'000
Lease cost to expiry:				
Not later than one year	2,327	2,131	173	153
Between one year and five years	7,859	8,072	194	113
Later than five years	15,630	19,327	-	-
	25,816	29,530	367	266

21 Retirement benefits

Schemes accounted for as defined contribution

Combined Pension Scheme (CPS)

The CPS is a multi-employer scheme which provides defined benefits to its members. In common with other unfunded public sector schemes the CPS does not have the attributes of typical defined benefit pension schemes. Any surplus of contributions made in excess of benefits paid out in any year is surrendered to the Consolidated Fund and any liabilities are met from the Consolidated Fund via the annual Parliamentary vote. Her Majesty's Government does not maintain a separate fund.

The CPS is accounted for as a defined contribution scheme. The pension charge for the year represents contributions payable by NNL to the scheme and amounts to £5,399,057 (2015 - £5,246,452).

Schemes accounted for as defined benefit

Combined Nuclear Pension Plan (CNPP)

The CNPP is a funded scheme (previously named GPS). The Company's contribution rate is 33.8%. The CNPP is accounted for as a defined benefit scheme. A full actuarial valuation on an IAS 19 basis was carried out, for the Trustees at 31 March 2013 and will be next updated to 31 March 2016 by a qualified independent actuary. The actuarial assumption for salary increases was 4.0%.

Electricity Supply Pension Scheme (ESPS)

The ESPS is a funded scheme. The Company's contribution rate is 35.2%. The ESPS is accounted for as a defined benefit scheme. A full actuarial valuation on an IAS 19 basis was carried out, for the Trustees at 31 March 2013 and will be next updated to 31 March 2016 by a qualified independent actuary. The actuarial assumption for salary increases was 4.0%.

Details of NNL's defined benefit schemes are as follows:

	2016	2016	2016	2015	2015	2015
	CNPP	ESPS	Total	CNPP	ESPS	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	3,897	8,313	12,210	3,899	8,182	12,081
Present value of scheme liabilities	(3,769)	(8,300)	(12,069)	(4,490)	(9,305)	(13,795)
Surplus/(deficit) in the scheme	128	13	141	(591)	(1,123)	(1,714)



21 Retirement benefits (continued)

Principal actuarial assumptions

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience.

The average life expectancy in years of a pensioner retiring at 65 on the Statement of Financial Position date is as follows:

	2016 CNPP years	2015 CNPP years	2016 ESPS years	2015 ESPS years
Male	23	23	23	23
Female	25	25	25	25

The average life expectancy in years of a pensioner retiring at 65, twenty years after the Statement of Financial Position date is as follows:

	2016 CNPP years	2015 CNPP years	2016 ESPS years	2015 ESPS years
Male	25	25	25	25
Female	27	28	27	28

	2016 CNPP	2015 CNPP	2016 ESPS	2015 ESPS
Expected increase in pensions-in-payment	3.0%	2.9%	3.0%	2.9%
Discount rate	3.6%	3.3%	3.6%	3.3%
Inflation rate	3.0%	2.9%	3.0%	2.9%

21 Retirement benefits (*continued*)

Defined Benefit Obligation trends

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2014	3,381	6,859	10,240
Expected return on plan assets	153	315	468
Employer contributions	61	347	408
Benefits paid	(45)	(102)	(147)
Contributions by scheme participants	9	28	37
Actual return less expected return on pension scheme assets	340	735	1,075
At 31 March 2015	3,899	8,182	12,081
	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2015	3,899	8,182	12,081
Expected return on plan assets	129	274	403
Employer contributions	63	340	403
Benefits paid	(46)	(135)	(181)
Contributions by scheme participants	9	27	36
Actual return less expected return on pension scheme assets	(157)	(375)	(532)
At 31 March 2016	3,897	8,313	12,210

Reconciliation of scheme assets

The expected return on scheme assets is equal to the weighted average return appropriate to each class of asset within the schemes. The return attributed to each class has been reached following discussions with the external actuaries.

The fair value of the scheme assets and the expected rates of return at 31 March 2016 and at 31 March 2015 were as follows:

CNPP	2016 Expected rate of return	2016 Fair value £'000	2015 Expected rate of return	2015 Fair value £'000
Equities	3.6%	1,384	3.3%	1,401
Index-linked gilts	3.6%	978	3.3%	959
Corporate bonds	3.6%	929	3.3%	927
Diversified	3.6%	539	3.3%	558
Other	3.6%	67	3.3%	54
		3,897		3,899



21 Retirement benefits (*continued*)

Reconciliation of scheme assets

ESPS	2016 Expected rate of return	2016 Fair value £'000	2015 Expected rate of return	2015 Fair value £'000
Equities	3.6%	2,063	3.3%	2,049
Diversified Growth Fund	3.6%	2,191	3.3%	1,807
Index-linked gilts	3.6%	2,615	3.3%	2,622
Corporate bonds	3.6%	1,130	3.3%	1,141
Currency	3.6%	314	3.3%	563
		8,313		8,182

Defined Benefit Obligation trends

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2014	3,477	7,163	10,640
Interest cost	156	322	478
Current service cost	61	123	184
Benefits paid	(45)	(102)	(147)
Changes in assumptions underlying present value of schemes liabilities	832	1,771	2,603
Contributions by scheme participants	9	28	37
At 31 March 2015	4,490	9,305	13,795

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2015	4,490	9,305	13,795
Interest cost	148	308	456
Current service cost	62	137	199
Benefits paid	(46)	(135)	(181)
Changes in assumptions underlying present value of schemes liabilities	(894)	(1,342)	(2,236)
Contributions by scheme participants	9	27	36
At 31 March 2016	3,769	8,300	12,069

21 Retirement benefits (*continued*)

Movement in overall scheme deficit from 1 April 2014 to 31 March 2015

	CNPP £'000	ESPS £'000	Total £'000
Scheme assets	3,899	8,182	12,081
Scheme liabilities	(4,490)	(9,305)	(13,795)
Scheme deficit	(591)	(1,123)	(1,714)
	£'000	£'000	£'000
Experience adjustments on assets	340	735	1,075
As a % of scheme assets	8.7%	9.0%	8.9%

Defined benefit obligation trends of scheme as a whole as at 31 March 2016

	CNPP £'000	ESPS £'000	Total £'000
Scheme assets	3,897	8,313	12,210
Scheme liabilities	(3,769)	(8,300)	(12,069)
Scheme surplus	128	13	141
	£'000	£'000	£'000
Experience adjustments on assets	(157)	(375)	(532)
As a % of scheme assets	(4.0%)	(4.5%)	(4.4%)



21 Retirement benefits (*continued*)

Movement in overall scheme deficit from 1 April 2014 to 31 March 2015

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2014	(96)	(304)	(400)
Operating costs	(61)	(123)	(184)
Expected return on pension scheme assets	153	315	468
Interest on pension scheme liabilities	(156)	(322)	(478)
Actuarial gains and losses	(492)	(1,036)	(1,528)
Contributions paid	61	347	408
At 31 March 2015	(591)	(1,123)	(1,714)

Movement in overall scheme deficit/surplus from 1 April 2015 to 31 March 2016

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2015	(591)	(1,123)	(1,714)
Operating costs	(62)	(137)	(199)
Expected return on pension scheme assets	129	274	403
Interest on pension scheme liabilities	(148)	(308)	(456)
Actuarial gains and losses	737	967	1,704
Contributions paid	63	340	403
At 31 March 2016	128	13	141

21 Retirement benefits (*continued*)

Amounts recognised in the financial statements

Analysis of amounts recognised in the statement of financial position

CNPP	2016	2015	2014	2013
	£'000	£'000	£'000	£'000
Fair value of scheme assets	3,897	3,899	3,381	3,145
Present value of scheme liabilities	(3,769)	(4,490)	(3,477)	(3,504)
Net pension asset/(liability)	128	(591)	(96)	(359)

ESPS	2016	2015	2014	2013
	£'000	£'000	£'000	£'000
Fair value of scheme assets	8,313	8,182	6,859	6,288
Present value of scheme liabilities	(8,300)	(9,305)	(7,163)	(7,119)
Net pension asset/(liability)	13	(1,123)	(304)	(831)

Total	2016	2015	2014	2013
	£'000	£'000	£'000	£'000
Fair value of scheme assets	12,210	12,081	10,240	9,433
Present value of scheme liabilities	(12,069)	(13,795)	(10,640)	(10,623)
Net pension asset/(liability)	141	(1,714)	(400)	(1,190)

Included in administrative expenses

	2016	2016	2016	2015	2015	2015
	CNPP	ESPS	Total	CNPP	ESPS	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Current service cost	62	137	199	61	123	184
Expected return on plan	(129)	(274)	(403)	(153)	(315)	(468)
Interest cost	148	308	456	156	322	478
Defined benefit pension cost	81	171	252	64	130	194



22 Related party transactions

Trading transactions

During the period NNL entered into the following transactions with related parties as follows:

	2016	2015	2016	2015	2016	2015	2016	2015
	Sales of goods/ services		Amounts owed by related parties		Purchases of goods/service		Amounts owed to related parties	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
DECC	2,343	2,004	908	-	50	5	-	-
MOD	178	1,483	-	228	-	-	-	-
NDA	5,349	7,336	4,655	8,172	-	-	-	-
Sellafield	50,058	51,686	123	18	4,617	3,194	371	140
Total	57,928	62,509	5,686	8,418	4,667	3,199	371	140

Undertakings under common control of the Government are the Department for Energy and Climate Change (DECC), Ministry of Defence (MOD), Nuclear Decommissioning Authority (NDA) and Sellafield Limited.

Since the financial year ended 31 March 2016 some of the amounts owed by related parties have been settled by cash but a balance of £3,321k remains and is now overdue. The Directors are confident that the balance will be collected and therefore do not believe a provision is required.

23 Controlling party

All of the share capital of NNL is owned by its parent, NNL Holdings Limited. NNL Holdings Limited country of incorporation is England and Wales with a registered address of 6th Floor, 1 Victoria Street, London. SW1H 0ET. The results of NNL are consolidated in the group financial statements of NNL Holdings Limited which are publicly available.

The entire issued share capital of NNL Holdings Limited is owned by the Secretary of State for Energy and Climate Change. In the Directors' opinion, NNL's ultimate controlling party is Her Majesty's Government.



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