ANNUAL REPORT AND ACCOUNTS
2018

NATIONAL NUCLEAR
LABORATORY

NATIONAL NUCLEAR LABORATORY

Country of Incorporation
England and Wales

Legal Form
Limited Company

Directors

Sir Andrew Mathews KCB FREng	Chairman
Paul Howarth FREng	Chief Executive Officer
David Beacham	Chief Customer Officer
Ruth Dunphy	Chief Financial Officer
Andrew Sherry FREng	Chief Scientist
Claire Flint	Non-Executive Director
Iain Lanaghan	Non-Executive Director
Anna Payton	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

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NNL AT A GLANCE

A WORKFORCE OF AROUND **940**

£16.5m of customer funded work resulted from our investment in R&D

ZERO LOST TIME ACCIDENTS

Earnings to reinvest of **£5.3m**

65 Peer reviewed publications

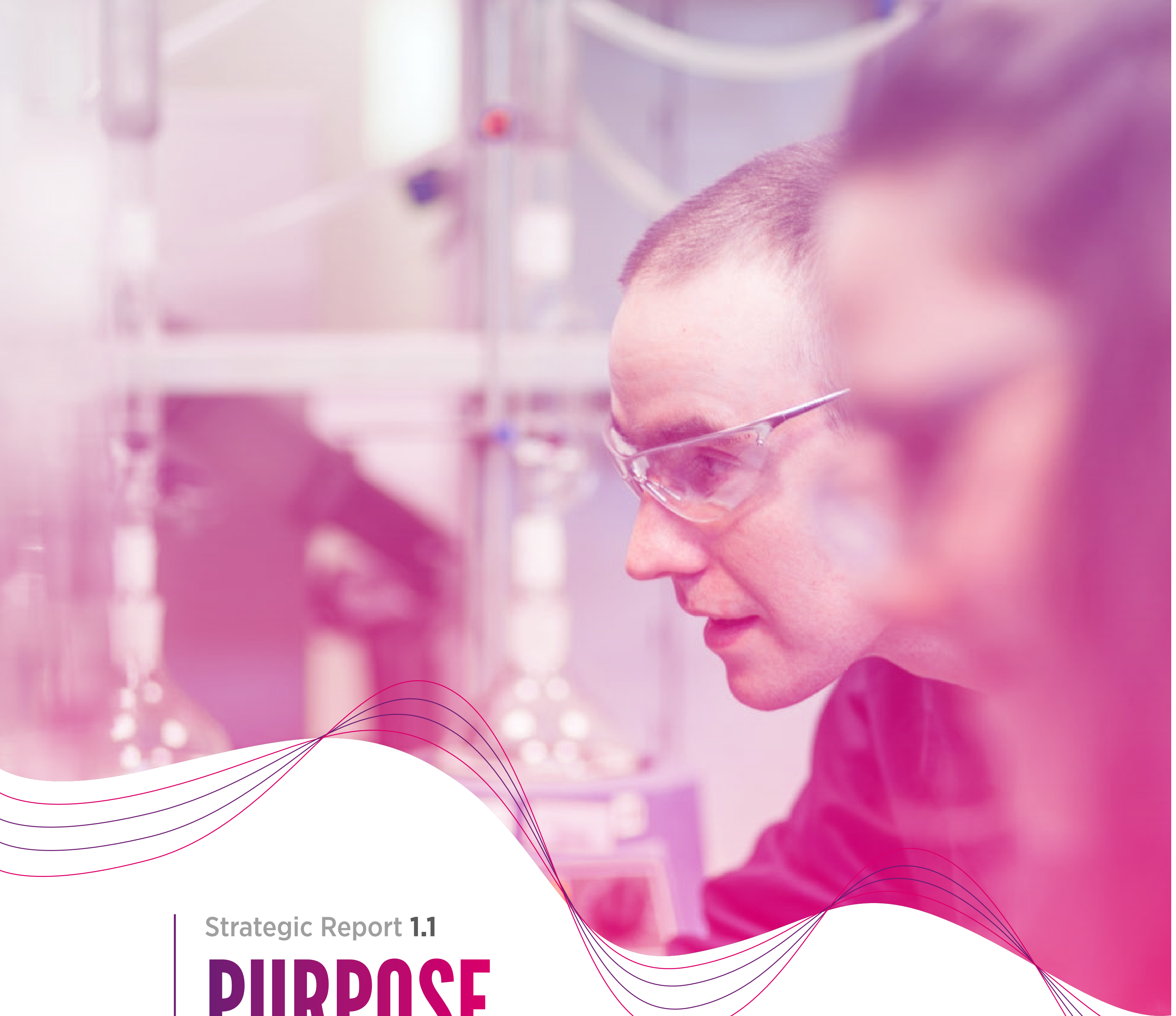
MORE THAN EVER BEFORE

CUSTOMER SATISFACTION 95%

We manage **£1.5 BILLION** worth of unique nuclear facilities

Turnover of **£102.8m**

Estimated value added for our customers of at least **£500m**



Strategic Report **1.1**

PURPOSE

National Nuclear Laboratory (NNL)'s financial statements include a strategic report that sets out the business' vision and objectives as well as highlighting key aspects of our progress and performance during the Financial Year 2017-18.

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 has been prepared in accordance with applicable legal requirements and is consistent with the financial statements. The auditor's report is included later in this document.

Strategic Report **1.2**

OUR BOARD

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.

In addition to his NNL role he serves as Chairman of Babcock Naval Marine, as an independent Non-Executive Director on the board of EDF Energy's NNB GenCo business and as a senior advisor to Atkins.

Sir Andrew retired from the Royal Navy (RN) in 2014 as Chief of Materiel Fleet, responsible for the RN's support and acquisition programme for all ships and submarines and for the operation of the RN's 3 naval bases.

Sir Andrew was appointed Companion of the Order of the Bath (CB) in 2008 and knighted in 2013. He is a fellow of the Royal Academy of Engineering.

Paul Howarth

Chief Executive Officer

Paul was appointed as Managing Director of the National Nuclear Laboratory on 1 January 2011. He has run large groups and extensive portfolios in both academic and business 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.

Paul began his career working on the European Fusion Programme where he completed his PhD, he subsequently worked in Japan on technology transfer in the semiconductor industry and also the Japanese nuclear programme. He worked for BNFL at numerous locations in the UK in roles covering technology commercialisation, plant support and policy development, culminating in support to the UK Government on the case for new nuclear build. Paul also co-founded the Dalton Nuclear Institute and worked for the US organisation Battelle alongside US National Laboratories on M&O contract development. In 2009 he was part of the M&O team that was awarded the contract to run NNL.

Currently Paul is also a Non-Executive Director at the National Physical Laboratory and Chair of the Association of Innovation, Research and Technology Organisations (AIRTO). He was elected to the Royal Academy of Engineers in 2014.

OUR BOARD (CONTINUED)

David Beacham
Chief Customer Officer

David was appointed as NNL's first ever Chief Customer Officer (CCO) in November 2016, and as such he is responsible for full end-to-end delivery of NNL's operations whilst ensuring that delivering value to our customers is at the heart of the organisation.

David is both a Chartered Engineer and a Fellow of the Institution of Civil Engineers and has a proven track record of improving team performance and delivering challenging projects for customers. His nuclear experience includes working on major projects at Hinkley Point C, Sizewell C, Wylfa, Sellafield, Drigg, Devonport and Barrow. He also has extensive international experience ranging from Cuba to India and Taiwan to Romania.

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) and has held Senior Executive positions for over fifteen years across listed, private equity backed and employee owned companies. Prior to joining NNL, Ruth worked across a number of varied sectors but more recently specialised in Engineering and Construction businesses. Her most recent role was for MWH as UK Finance Director.

Throughout her career Ruth has specialised in a number of areas: performance improvement, growth and diversification, joint ventures and partnering, and business change 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, winning the Queen's Anniversary Prize in 2012. He has over 30 years experience in the nuclear sector, leading programmes on science and innovation within both industry and academia.

Andrew is a member of the UK Nuclear Innovation Research Advisory Board and provides independent advice on strategic, technical and safety aspects of nuclear power to government, industry and international nuclear bodies including CEA, INL and the Korea Atomic Energy Research Institute. He is a Fellow of the Royal Academy of Engineering, the Nuclear Institute and the Institute of Materials, Minerals and Mining.

OUR BOARD (CONTINUED)

Claire Flint
Non-Executive Director

Claire Flint was appointed to the NNL Board in April 2017, having previously served as an associate non-executive director from 2014-16, under the Government's "Women on Board" scheme. In her executive career, Claire was most recently Group Human Resources and Brand Director for Oxford Instruments plc, a leading international, nanotechnology tools provider, serving on their Management Board for over 10 years.

Claire now pursues a plural career comprising Non-Executive Directorships and leadership consulting. Claire has a BA in history from London University and a post graduate diploma in labour studies.

Iain Lanaghan
Non-Executive Director

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 Metropolitan European Transport Ltd, one of the largest independent bus groups operating in Germany. He is senior independent director and chairman of the audit committee of Cabot Energy plc. Iain is also a non-executive director of Defence Equipment and Support (DE&S), a bespoke trading entity with the remit of equipping and supporting the UK's armed forces, and of Scottish Water. He is a member of the Institute of Chartered Accountants of Scotland, having worked with KPMG in London and Frankfurt.

Anna Payton
Non-Executive Director

Anna is the Government's non-executive shareholder representative and joined the NNL Board in May 2018. She joined UK Government Investments (formerly Shareholder Executive) in October 2012. Anna began her career as a project finance lawyer at Allen & Overy, specialising in PFI and energy infrastructure transactions. Her professional experience following this included commercial and financial project finance roles in the energy sector, both as a fund manager for an energy and infrastructure fund in Zurich, and prior to that as a commercial manager in the corporate venturing arm of the Carbon Trust. Whilst at UKGI, Anna has worked in particular with the former department DECC on delivery structures for renewable energy incentives, and latterly has been leading UKGI's housing work as well as advising DfT on alternative rail network delivery. Anna also leads on aspects of UKGI's internal corporate governance practice.

Strategic Report **1.2**

OUR BOARD (CONTINUED)

Jonathan Walker
Non-Executive Director

Jonathan was the Government's non-executive shareholder representative on the NNL Board until stepping down in April 2018. He joined UK Government Investments (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 UKGI Jonathan 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.

He is well known internationally having been the Chair of the OECD Nuclear Energy Agency's Committee on Nuclear Regulatory Activities, he is 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 Fukushima Daiichi decommissioning body (NDF), the Japanese Nuclear Regulatory Authority (NRA) and the Jordanian Government. He is a consultant to IAEA and the OECD's NEA, independent arbitrator for the Hinkley Point C project 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.

Strategic Report **1.3**

INTRODUCTION FROM THE CHAIRMAN

This has been a year of progress for NNL and for the nuclear sector at large. We have seen significant developments, with some challenges along the way.

Overall, though – it was a good year, consolidating NNL on our journey to transform the business and establish NNL at the centre of UK nuclear fission research in the eyes of our customers, Government and other stakeholders.

Our relationships with both customers and Government have progressed positively this year. A major highlight for us was the signing of a long term Technical Services Agreement with Sellafield Ltd – our biggest customer. This 17 year agreement represents a new way of working more strategically together – in the interests of both organisations and of the wider national economy. Another highlight was the recognition from Government of our ability to support them in a strategic advisory role. The establishment of NIRO (the Nuclear Innovation and Research Office), funded by the Department for Business, Energy & Industrial Strategy (BEIS), operated on an independent, arms-length basis, establishes us firmly as the "go to" body for specialist nuclear fission expertise.

The Government's Industrial Strategy identified the nuclear sector as a key one and sets out a clear approach for supporting UK businesses in a number of areas where the industry is strong. Nuclear in general – and NNL in particular – can deliver a great deal against the headings of Ideas, People, Infrastructure and Place, which were all recognised as critical areas of focus. Promoting innovative ideas, both technical and otherwise, sits at the heart of what we do for our customers; we sit at the centre of work on nuclear skills development and are the custodians of much of the sector's subject matter expertise; our world-leading facilities are recognised as an important strand of the UK's research infrastructure; and the centre of gravity of our activities – in the North West of England – is helping the geographical re-balancing of the economy.

Against this backdrop, it is important for us to deliver consistently against our remit. We performed strongly throughout the year - in a landscape of challenging times in the sector – hitting, or coming very close to, all of our financial targets, and making significant progress in adapting our business for the future. In doing so, we delivered significant earnings to re-invest in things which we know really matter to the industry, our people, our customers and our stakeholders. These include our own Science and Technology programme of cutting edge science and innovation to drive down cost and increase productivity, building skills in our early- and mid-career scientists and engineers to help them become the experts of the future, and investing in our facilities and equipment – the bedrock of our work.

Our work on Business Transformation has begun in earnest this year and we've made some major progress in reshaping the business. As this work progresses, we know that it will have an impact on the funds we have available for immediate reinvestment, but we recognise the importance of changing the way we work to meet the needs of a changing market and to identify and capitalise on opportunities ahead.

We have also reviewed our own performance as a Board and taken steps to ensure we perform as effectively as possible. We welcomed Claire Flint back to the Board in a formal capacity, having benefitted hugely from her previous contribution from 2014-16, under the Government's "Women on Board" scheme.

As we look to the future, there are strong signs both that the UK's nuclear industry as a whole – and NNL as a key player within the sector – are set for promising times ahead.

CHIEF EXECUTIVE'S OVERVIEW

Sir Andrew has outlined the broad canvas of developments over the year, both within and beyond NNL. I will elaborate a little more on some of those. But the most important issue for me is always safety – for our employees, the customers, suppliers and contractors we work with – and the wider public. As you'll see later in our KPI table, overall our safety performance – along with security, quality, workforce health and environmental impact – was excellent through the year. However we did experience an incident where a contractor fell from height whilst working in one of our facilities. Our insurance company was notified of the incident and the claim has been denied based on no liability. We have taken steps to learn from this event and ensure that in future our contractors and sub-contractors are always meeting our own high standards of safety when working on our facilities.

We had no other significant safety or regulatory events, nor major quality related issues, during the year, and we brought one of our flagship facilities into Category 1 operation, whilst successfully being re-accredited to several key ISO standards.
Turning to the major activities of the NNL business this year, Sir Andrew has already mentioned our more strategic, relationships with SL and Government. Along with the Lifetime Enterprise Agreement we signed in 2017 with EDF Energy and similar moves with other customer, this reflects our evolving role at the forefront of bringing innovation to the nuclear sector. We are working with SME organisations and the wider supply chain to understand customer needs, demonstrate and develop new technology and add real value for our customers by reducing their costs and timescales whilst ensuring safe delivery.

A great example of this was collaboration between NNL, Sellafield Ltd and Cera Dynamics which led to the development of an improved glass formulation for Sellafield's vitrification plant and an estimated customer saving of £200m. This fabulous work led to the team being awarded the "Return on Investment" Award at Sellafield's Excellence Day.

Other highlights included:

- Another record campaign of work for EDF Energy on analysis of irradiated graphite from their reactor fleet.
- The first active operation of the GeoMelt in-container vitrification rig, in partnership with Veolia Nuclear Solutions - the only active thermal treatment system of this type operational in the UK – as an example of our commitment to game changing technology development and innovation.
- Processing substantial quantities of historic uranic residues, from both the Springfields site and elsewhere, reducing our customer's liabilities and risk, and allowing valuable material to be recycled into fresh nuclear fuel.
- Work for the Japanese Fukushima Daiichi decommissioning body, NDF, on UKAS lab accreditation - a significant step for us into a key overseas market.

We redefined our Vision, Purpose and Values this year – with input from many experienced voices within NNL and invaluable experience from outside. These are discussed later, but I would draw attention to our new Purpose statement, which crystallises what we do and why we are here in just a few words.

"To serve the national interest and create value for our customers, by pushing the boundaries of science, technology and innovation."

For me, this captures three important, inter-linked themes; delivering value for our customers (without whom we have no business); driving innovation in the science and technology we offer; and – perhaps most important of all – doing all this in the national interest, as both a key UK asset and the engine room of potential future growth in the sector.

As well as looking outside NNL and re-shaping our role in the industry and the wider economy, we've looked internally as we change the way we operate. On the back of a strong year financially, we're reinvesting in facilities, in science and technology, in our people and in transforming the business. Our people strategy is key to our future – with innovation becoming central to everything we do – and we're making sure we have the right people across the organisation to seek out innovation and solutions which can support our customers, working with other industry sectors, SMEs, academia, and so on. In parallel we're ensuring the company's long term future by investing in our IT systems, establishing a new organisational design, streamlining our process and procedures and investing in our culture to align it with our values.

We recognise that the nuclear sector doesn't always present a smooth, predictable road to travel, but despite some delays and setbacks (some our own, and some external to NNL) we have achieved a great deal this year.

It is a credit to the talent, diligence, adaptability and commitment of all our people that we have done so and I thank them all for that.

Looking to the future – we continue to be well placed to fulfil our central role in the sector's journey, building on our unique facilities, our track record of delivery, our technical expertise and our reputation for authoritative advice coupled with innovation.

Strategic Report 1.5.1

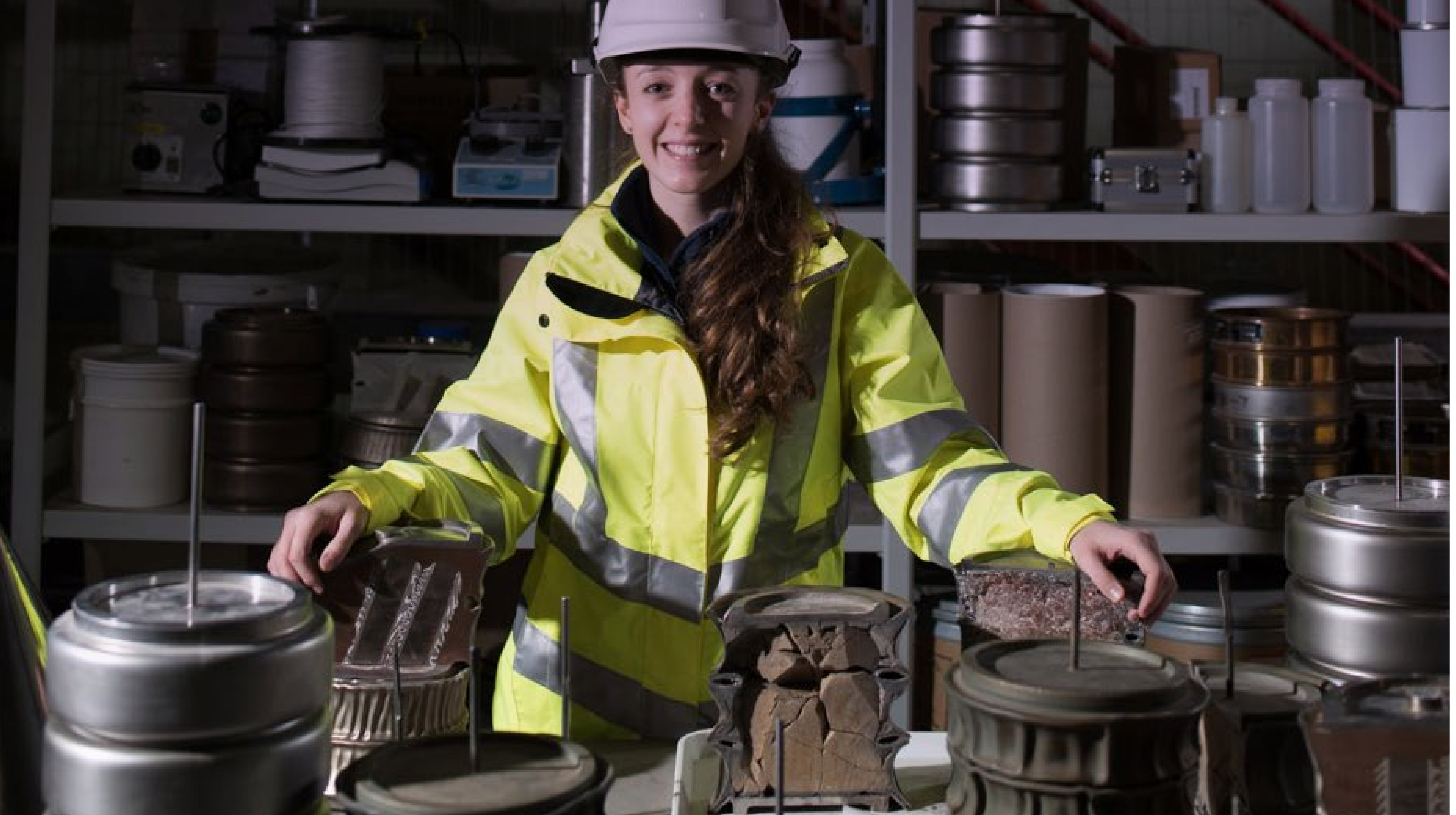
WHO WE ARE

NNL is the UK's principal nuclear 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. We occupy a unique position in the nuclear innovation environment (spanning Technology Readiness Levels 3-6, taking science from inactive laboratory-scale demonstration to prototype deployment with real nuclear materials).

NNL is owned by the UK Government's Department of Business, Energy and Industrial Strategy (BEIS), and is overseen by a Board of Directors, the majority of whom are appointed by Government. Our vision is to deliver world-leading nuclear expertise and innovative solutions and our purpose, which represents what we need to do as a business, is to serve the national interest and create value for our customers, by pushing the boundaries of science, technology and innovation.

In our role as the UK's national nuclear laboratory, we are the custodians of unique world-leading nuclear skills, facilities and equipment vital to the UK. With a broad span of knowledge and capability, we always act independently and authoritatively when advising Government and stakeholders in the UK and worldwide. Many of our 940 or so employees are internationally recognised experts in their fields, and we also work with universities to enable academic access to our services.

NNL hosts the Nuclear Innovation and Research Office (NIRO), a specialist unit funded by BEIS which is separated from our commercial operations by a series of ethical barriers. NIRO is staffed by experts from both NNL and the broader nuclear industry and provides technical advice and guidance to Government.



Strategic Report 1.5.2

STRATEGIC GOALS AND VALUES

Our Strategic Goals are:

- Be the trusted national laboratory
- Sustain and grow our business
- Foster unique capabilities
- Shape the agenda

As the UK prepares for a post-Brexit world and as the nuclear industrial strategy and sector deal take shape NNL's role as **the trusted national laboratory** is more important than ever.

Cost competitiveness of nuclear generation is an important goal. As an independent, Government-owned body, engaging strategically with industry through partnerships such as the one with Sellafield Ltd, we are uniquely placed to help identify and bring innovative technologies and practices into the nuclear sector. In doing this, we need to be trusted by industry, by the supply chain and by academia to identify technology and foster innovation in the interest of the wider sector.

The establishment of the Nuclear Innovation and Research Office (NIRO) as specialist unit, separated from our commercial operations by a series of ethical barriers, has provided a transparent way for the UK Government to procure NNL's expertise, and allow NNL to play a more formal role as the government's national laboratory.

We **sustain and grow our business** by delivering to time, cost and quality, seeking out both new customers, and new ways in which we can work with our existing customer base. Work in the UK remains dominated by three major customers. We greatly value these long-term programmes of work, and are keen to ensure that we maximise the value we deliver and share in that value through strategic, long-term, mutually beneficial relationships.

We have diversified our customer base only slightly in recent years. We believe there is now scope to do so considerably further in order to sustain and grow our business. Our initial focus on growth is domestic, but we also plan focused growth in our international work.

NNL **fosters unique capabilities** by reinvesting our earnings in science, innovation, facilities and people. This helps us to be the trusted national laboratory, to sustain and grow our business, and to shape the agenda in the UK and beyond.

In order to ensure that we invest wisely, our Technical Advisory Board (which includes representation from our customers and stakeholders across the nuclear sector) provides independent oversight of our self-funded programme of research and innovation.

As we scope our role in delivering innovation into the nuclear sector, we will look to invest in unique capabilities, partnering with others through our living network.

NNL's position as a national laboratory, sitting at the heart of an extensive network and advising the government on nuclear technical issues, industrial strategy and the sector deal, shows the role we already play in **shaping the agenda** in the UK. We envisage playing a larger role in future years as we focus on the innovation imperative.

We play a similarly important role internationally, evidenced by our work in support of a US-UK treaty on civil nuclear and to the Japanese clean-up effort at Fukushima. As the UK prepares to leave the EU, and bilateral relationships in the sensitive nuclear arena require more direct attention, we anticipate work of this nature becoming more prominent and more demanding.

Our values are the essence of what makes us NNL, and define how we go about every aspect of our work. We have updated our values, in line with our purpose and vision statements, to be:

Safety In everything we do
Customer Delivering value, sharing success
Integrity Doing the right things right
Taking Responsibility Solving the problem, owning the solution
Enthusiasm Enjoying what we do, inspiring others
Collaboration Being inclusive, unleashing potential

Safety is the first of our values. It is an absolute necessity across the nuclear sector and can never be compromised.

Strategic Report **1.5.3**

OUR BUSINESS MODEL

Unusually for a national laboratory, we are run on a commercial basis, and are funded through commercial customer contracts. We deliver to time, cost and quality to generate earnings which are reinvested to enhance capability and innovation for the sector. We provide R&D leadership to national programmes and through NIRO, provide impartial advice to Government. The significant value added by our activities is recognised by customers and stakeholders, and exceeds the scale of our annual revenue many times over.

It is the combination of several different factors which makes NNL unique around the world:

- Being a National Laboratory that underpins the civil nuclear fission energy programme, the nuclear cleanup and decommissioning programme and the naval nuclear propulsion programme.
- Operating commercially to reinvest in our capabilities and in leading-edge innovation, and
- Our world-leading portfolio of nuclear research facilities.

Strategic Report **1.5.4**

OUR CUSTOMERS

We provide technical support and services to customers across most of the nuclear fuel cycle – from fuel and reactor analysis through post-irradiation examination of fuel and reactor materials, to waste management, clean-up and decommissioning support. Our customers include:

Sellafield Limited

Sellafield Limited is our biggest single customer, accounting for over one third of our total turnover. This year we signed a Technical Services Agreement (TSA) with SL, building on the pre-existing long-term collaboration agreement. The TSA is one of NNL's most significant ever commercial agreements – representing a 17 year commitment, with a potential lifetime value in excess of £500m.

The TSA allows us to engage and to deliver value at a strategic level, and is consistent with our role as the UK's trusted national laboratory. It also creates a single point of entry for the wider supply chain for technical work at the Sellafield site. We see this as a potential model for our relationships with other commercial customers, particularly those in the public sector where we are working together in support of national programmes.

In the longer term, we are working with Sellafield Ltd towards a deeper relationship which could include a new approach to provision of radiochemical analysis services from our Central Laboratory.

EDF Energy

EDF Energy operates all of the UK's civil nuclear reactor fleet, comprising seven Advanced Gas-Cooled Reactors plus one Pressurised Water Reactor (Sizewell B). Our work for EDF Energy includes post-irradiation examination (PIE) of fuel, components and graphite to support continued operation, enhance reactor performance, and – at the appropriate time – support the case for potential lifetime extension.

EDF Energy and NNL signed a Lifetime Enterprise Agreement (LEA) in 2017, with the vision of "providing a through-life science & technology partnership through a lifetime contract". This provides a vehicle for a more collaborative working relationship with scope for NNL to support EDF Energy in a variety of ways.

Rolls Royce / Ministry of Defence

In the same way that we provide PIE services to operating civil reactors, helping to keep the UK's nuclear energy generation fleet running, we provide a similar service to the Ministry of Defence in respect of the nuclear reactors which power the UK's submarine fleet. This contract is managed via Rolls Royce and again, we have established a more collaborative and strategic way of working.

We are currently in advanced discussions on a significant new long term contract. We hope to develop a sustainable, collaborative relationship with MOD, similar to those we have in place with Sellafield Ltd and EDF Energy. We believe this will help us add most value at a time when the defence budget is under pressure. We aim also to broaden the scope of our work in the defence sector.

Nuclear Decommissioning Authority (NDA)

In addition to our partnership with Sellafield Ltd, we have a long-established and important relationship with the NDA and its other site licence companies. NNL provides a range of services with a particular emphasis on the disposition of fuels and special nuclear materials.

BEIS

NNL has delivers a number of significant contracts let by the Department of Business, Energy and Industrial Strategy (BEIS), particularly through the Nuclear Innovation Programme

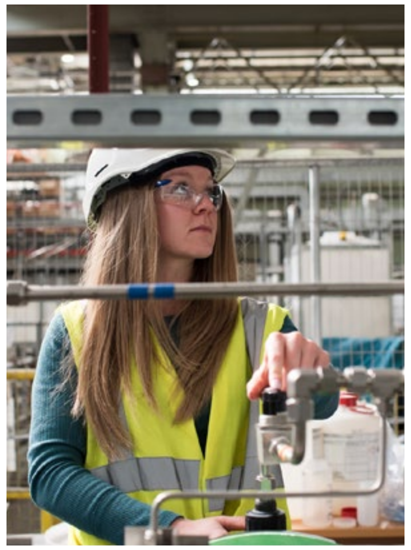
Others

NNL undertakes work for other businesses in the UK nuclear sector, including Westinghouse and Urenco. These are valued relationships which we are keen to build on, including establishing a presence close to customers to support delivery and build the relationship. Globally we have customers in the USA, Japan, continental Europe and China and we work with overseas governments and utilities as well as other national laboratories.

We are also looking to new markets where our expertise and technology may be applicable. For example, the global market in radio-isotopes faces relatively limited supply. We are exploring niche opportunities to create an isotope supply business, demonstrating the potential for innovation in our own business.

Strategic Report **1.5.5**

CAPABILITIES



World Class Nuclear Knowledge and Experience

NNL is the custodian of much of the UK's expertise and experience in nuclear fission technology. We have a great many of the UK's Subject Matter Experts – the national and international leaders in their specialist fields – many of whom have decades of experience. Collectively, their subject areas cover much of the nuclear fuel cycle and in many cases their experience comes from time spent on operational nuclear plants, often coupled with working in - or with - academia.

Facilities

NNL is the custodian on behalf of the UK for a suite of facilities which collectively are unique in the world - ranging from lab-based to production scale and a full range of activity levels, capable of work across the nuclear fuel cycle and using many different materials. These are used to deliver a diverse portfolio of work from large scale, inactive demonstrations and technique development through to very small scale measurement of highly active nuclear fuel. Working with universities and research institutions, we are increasing access to these 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, Stonehouse and Culham.

Science & Technology

As would be expected in a National Laboratory, scientific and technical capability runs through all aspects of our business. This encompasses our people, our facilities, our equipment, our collaborative "living network" and our programmes of self-directed research and innovation. As we implement our Science and Technology Strategy we are focusing on innovative work which will deliver impactful science, technology and engineering, whilst encouraging greater collaboration with the best in the world – including opening up our facilities to others.

Strategic Report **1.5.6.1**

BUSINESS PERFORMANCE SUMMARY

The year has been one of both challenges and opportunities. We are already seeing signs of change in the UK cleanup and decommissioning sector and we are adapting to those. We recognise further change will be coming in the future and our business is transforming to be ready for that.

We paused for safety across the business, and committed to four 'Pause for Safety' sessions each year. We embarked on a cultural drive to ensure that concerns relating to safety or security are always reported in any circumstances, and to ensure essential procedures do not get in the way of common sense.

We also faced challenges of facility availability which impacted on our capacity to deliver work to some key customers on the same scale as in previous years. We have worked closely with customers to deal with these issues and we took the conscious decision to invest heavily in facility refurbishment during the year, which was achieved whilst broadly meeting our financial targets and delivering important progress on transforming our business. As a result, we are well placed to return to full capacity, with a reduced risk of unscheduled outage, in the future.

Additionally, our vital investment in business transformation has inevitably had a notable impact on the level of available Earnings to Reinvest. Despite the various challenges, the NNL business and its people have shown themselves to be adaptable, resilient and dedicated. We have hit – or come very close to - all of our financial targets and we are well placed to face the coming years.

Strategic Report **1.5.6.2**

KEY PERFORMANCE INDICATORS

	2016/17 Actuals	2017/18 Target	2017/18 Actuals
Environment & Energy	0 Cat 1-4 Events	Cat 1-4 Events: 0	0
Health & Safety	1 Sig Events	Sig. Events: <3 Actions missed: 0	1 0
Security	0 -	Sig. Rep Events: <2 Actions missed: 0	0 0
Quality	0	Cat 4 Issues: <3	0
Culture/ Assurance	1	Actions outstanding: <9 (per period)	3
Revenues	£101.3m	£101.8m	£101.6m
Earnings to Reinvest (ETR)	£15.5m	£5.3m	£5.3m

The table includes the metrics used by management to monitor business performance, revenue figures represent core business activities and are slightly below those disclosed in the Statutory Accounts which include miscellaneous other income. Earnings to Reinvest (ETR) is an internal measure which is reconciled to Profit from Operations as follows:

	2018 £'000	2017 £'000
Earnings to Reinvest	**5,340**	15,458
Investment in science & technology included in administrative expenses	**(5,015)**	(6,820)
IAS 19 Pension adjustments included in administrative expenses	**184**	227
Profit from operations	**509**	8,865

STATEMENT OF COMPREHENSIVE INCOME

TURNOVER OF £102.8 MILLION

Overall 2017/18 was a successful year – maintaining revenue in a difficult market during a period of significant business change represents a positive achievement. Whilst profit from operations before exceptional items has decreased from 2016/17 levels this is in line with our plans as we bear the cost of investment in our people and capabilities with the benefits of that investment expected to accrue in future years.

Total revenue has increased £1.0m from 2017 levels, although relatively modest the increase represents significant success in a market which has seen the core decommissioning business decline.

Operating costs increased £5.7m from 2016/2017 levels representing increased investment in support services and infrastructure in line with our strategic plans.

An exceptional cost of £6.3m has been recognised in the year, this represents the cost of an ongoing Business Transformation programme. The programme, which could last a further 3 years, includes investments in infrastructure, business structure, people, systems and processes and will allow NNL to remain agile and responsive and at the leading edge of the nuclear industry. Specifically the costs incurred in the current year relate to preparing to transfer IT services in house and the stand up of new organisation structures.

Net financing income has decreased over last year as a result of repayment of a long term interest bearing debt associated with the alpha active laboratories commissioning project.

Earnings before tax of £0.4m are significantly lower than last year as a result of the increased investment and transformation costs.

The Statement of Comprehensive Income is set out on page 39 and shows the profit for the period.

	2018 £m	2017 £m	Change £m
Revenue	102.8	101.8	1.0
Profit from operations before exceptional items	6.8	11.5	(4.7)
Exceptional item – Restructuring costs	(6.3)	(2.6)	(3.7)
Net financing (expense) / income	(0.1)	0.3	(0.4)
Profit before tax	0.4	9.1	(8.7)

STATEMENT OF FINANCIAL POSITION

The end of the year sees a strong balance sheet position and a healthy cash balance.

Non-current Assets

NNL continues to invest in its long-term future and we invested £9.0m in property, plant and equipment in the year. The principal investments were:

- enhancements to the Windscale Laboratory £4.9m;
- enhancements to the Central Laboratory capabilities £2.5m;
- implementing Security Assessment principles (SyAPs) for the Civil Nuclear Industry £0.4m;
- enhancements to Preston Laboratory £0.4m; and
- enhancements to Workington Laboratory £0.2m.

Intangible assets are comprised mainly of a £3.8m 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 has been commissioned primarily for Sellafield Ltd's use. The amount is expected to be recovered from future work to be undertaken for third parties – a healthy order book and pipeline more than support the carrying value of the asset. Intangible additions of £1.7m in the year represent investment in IT infrastructure and software.

Current Assets

Trade receivables have decreased by £24.4m largely as a result of the 2017 position being distorted by one individual project which was repaid in full in April 2017.

Cash at bank at 31 March stood at £34.2m, an increase of £18.5m reflecting repayment of the significant debts mentioned above.

Non-Current Liabilities

Trade and other payables of £31.5m represents capital grants received and receivable in respect of the investment programmes. The balance has decreased by £0.5m since last year as amounts are amortised over the life of the assets they relate to.

Current Liabilities

Payments received on account have decreased by £2.5m mainly due to work progressing against agreed scope. Taxation creditors have decreased significantly – largely as a result of VAT due on the significant project mentioned in trade debtors. Accruals and deferred income have increased by £2.2m mainly due to the timing of the exceptional spend, but this is partially offset by a modest decrease in trade payables of £0.5m.

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. Foreign exchange gains and losses are accounted for as they are incurred.

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 are assessed at the time credit terms are applied for and on a continuing basis. Provision is made for any debts which 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.

FUTURE OUTLOOK

The nuclear industry – both in the UK and beyond – is changing. Even before it does so, NNL is adapting to be ready.

We know that the funding available in the UK's cleanup and decommissioning market is on a downward trajectory over the coming years. Our strategic collaboration with our biggest customer, Sellafield Ltd, reflects that trend and positions NNL to work closely alongside SL as a proven source of innovation, expertise and reliable capability.

Looking more broadly, the nuclear sector is becoming more globally connected and as it does so, we in the UK have an opportunity to re-establish ourselves at its heart. NNL works closely with Government to help achieve this, and with our unique facilities, coupled with our breadth and depth of experience - encompassing new starters, mid-career professionals and globally-recognised subject matter experts - we stand ready to work on the international stage to a much greater extent as we move forward.

As we transform to be fit for the future, we are focusing on our enduring values and making sure that nothing compromises safety in any circumstances. We will forge our role in driving innovation in the sector – nationally and globally, while becoming more effective as we reorganise to align to our vision, purpose and strategic goals.
In terms of what this means for the people working in NNL, our focus in the coming year will be two-fold. Firstly, we will develop and begin to deliver noticeable change and development for our people as part of our people plan. This will include developing our leadership capability and bringing our values to life for all our people. Our second focus will be delivering new capability in IT. We have historically relied on third-party IT support and have been working to bring this in-house to allow us to be the responsive and dynamic business our customers need us to be.

Longer-term, our priorities are:

- Better tools to do the job with a high performing information technology platform – IT infrastructure
- Development of people and values
- A better place to work: lean and efficient processes
- Safe, secure data and information
- Investment in our infrastructure and facilities

These steps will all benefit our business as a whole, the people working within it, our customer and - ultimately – the wider UK nuclear industry.

Risks and uncertainties

The directors are confident about the future of the business. Nonetheless, risks and uncertainties do exist which could adversely impact future financial performance. We redesigned our approach to risk and opportunity management in 2017/18 to improve its effectiveness. The principal areas of risk are set out in Section 5.3

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 which 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

2.0

ENVIRONMENT, HEALTH, SAFETY, SECURITY AND QUALITY (EHSS&Q)

NNL's goal is to achieve industry-leading standards in EHSS&Q, continually striving to protect our people and others from harm. Our constant focus on safety encourages the reporting of the most minor injury, such as small cuts and abrasions, so that we continually identify improvements. In July 2017, we were very pleased to receive the RoSPA President's Award, recognising this consistent focus on safety and which has resulted in 14 consecutive Gold Awards. Whilst we are proud of our safety record we recognise that there is never room for complacency and we continue to look for ways to improve.

Despite our ever-present focus on safety, we experienced an incident where a contractor fell from height whilst working in one of our facilities. We have taken steps to learn from this event and ensure that in future our contractors and sub-contractors are always meeting our own high standards of safety when working on our facilities. There were no other significant safety events during the year.

Alongside safety, security remains a key area of attention for NNL. We continue to ensure that the security of our assets is effective and proportionate to the threats posed. Cyber security deserves a special mention due to the ongoing rise in the threat level. Whilst technology provides significant protection, our people remain the key component of our security defences and we continue to develop our security culture to reinforce this.

NNL continues to demonstrate strong performance across all key aspects of environmental management. Compliance with environmental permits and authorisations across all facilities has remained robust.

We successfully maintained certificates of approval for our integrated management system against the requirements of international standards ISO9001 on Quality Management and ISO14001 on Environmental Management, both of which were upgraded to new versions this year, as well as against ISO27001 on Information Security and ISO50001 on Energy Management.

Highlights 3.1

CUSTOMER HIGHLIGHTS

One important aspect of our work for customers is the nature of the relationship we have with them. As noted earlier, this year we signed a Technical Services Agreement with Sellafield Limited, building on the pre-existing Collaboration Agreement in place between the two organisations. This new partnering approach enables us to work much more closely with SL on new innovative approaches to help tackle the challenges on the site and enables us to bring in supply chain companies, academia and small to medium enterprises across different technology sectors that may be able to offer innovative solutions.

Moving to look at specific examples of delivery to customers, NNL carries out a wide range of work, so it is always difficult to select specific highlights from a full year's worth of activity. In addition to the highlights mentioned by Paul Howarth in the CEO's review earlier, some of the projects and achievements which have been particularly notable this year include:

- We continue to work collaboratively with SL, NDA and the academic community to drive innovation into the decommissioning of legacy waste facilities. Examples include the DISTINCTIVE programme, which involves 10 universities and the establishment of the new Centre for Innovation in Nuclear Decommissioning (CINDe), recently opened in our Workington facility.

- We supported Fukushima Daiichi decommissioning through Japan Atomic Energy Authority (JAEA) via a project on managing gas generating wastes.

This was a significant step for our overseas market aspirations and a demonstration that 'UK plc' has the knowledge and experience to support international decommissioning programmes.

- We sold our first "NiV Separator" to Sellafield Ltd after an Innovate UK development project involving excellent collaboration between NNL and Micro Lab Devices, a small biotechnology company.

- We provided Sellafield Ltd with a robust lifetime assessment for their Highly Active Storage Tanks that underpinned confidence that the tanks have finite - but now well understood - operational lifetimes, which supports SL's overall site cleanup strategy.

- Building on the success of last year's Innovate UK project on laser cutting, a second robotic laser cutting rig has been installed in NNL's Workington facility to support Sellafield Ltd in their drive to improve alpha glovebox decommissioning. Using remote technologies provides significant hazard reduction and operational efficiency savings whilst cleaning up alpha facilities.

- We upgraded our annual Technology Conference and held a well-attended event - SCITEC17 - under the wings of Concorde at Manchester Airport, bringing NNL colleagues together with Government, industry and academia from across the UK and internationally.

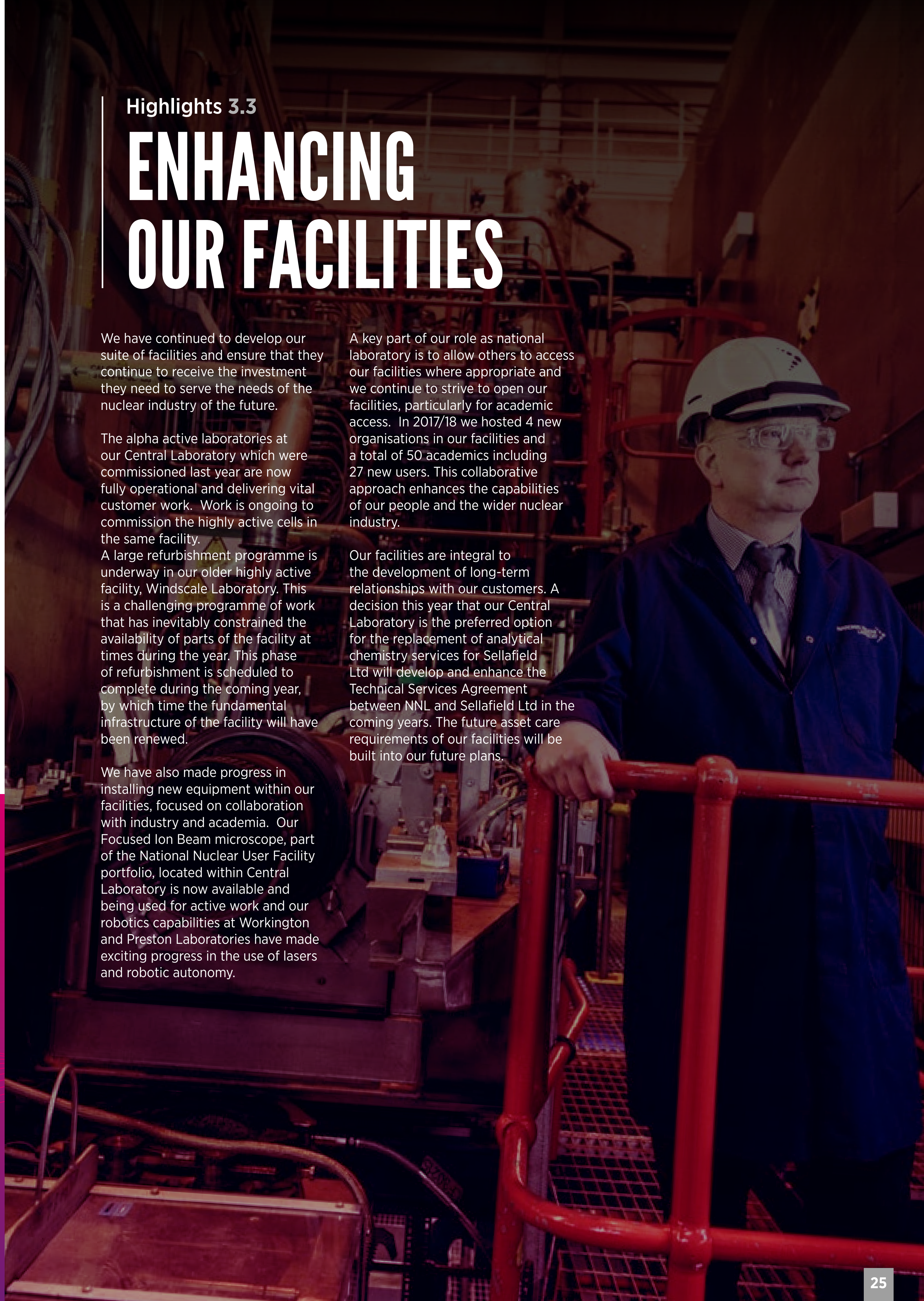
Highlights 3.2

NIRO SUPPORT TO GOVERNMENT

The Nuclear Innovation and Research Office (NIRO) has been re-constituted with a new remit to provide advice, guidance and support on nuclear R&D matters to Government. NIRO's current focus is on delivering work for BEIS on:

- The Nuclear Innovation Programme and the Nuclear Innovation and Research Advisory Board (NIRAB);
- Advanced Nuclear Technologies;
- International Engagement including advice on the UK's withdrawal from the EU and Euratom;
- Delivery of large nuclear;
- Geological disposal.

NIRO is staffed by secondees from NNL and the wider nuclear sector, making it an innovative and effective vehicle for providing impartial, up-to-date and authoritative advice to policy-makers in government. The NIRO Director, Dr Fiona Rayment, chairs the Nuclear Skills Strategy Group – the lead strategic skills forum for the UK nuclear sector.



Highlights 3.3

ENHANCING OUR FACILITIES

We have continued to develop our suite of facilities and ensure that they continue to receive the investment they need to serve the needs of the future nuclear industry of the future.

The alpha active laboratories at our Central Laboratory which were commissioned last year are now fully operational and delivering vital customer work. Work is ongoing to commission the highly active cells in the same facility.
A large refurbishment programme is underway in our older highly active facility, Windscale Laboratory. This is a challenging programme of work that has inevitably constrained the availability of parts of the facility at times during the year. This phase of refurbishment is scheduled to complete during the coming year, by which time the fundamental infrastructure of the facility will have been renewed.

We have also made progress in installing new equipment within our facilities, focused on collaboration with industry and academia. Our Focused Ion Beam microscope, part of the National Nuclear User Facility portfolio, located within Central Laboratory is now available and being used for active work and our robotics capabilities at Workington and Preston Laboratories have made exciting progress in the use of lasers and robotic autonomy.

A key part of our role as national laboratory is to allow others to access our facilities where appropriate and we continue to strive to open our facilities, particularly for academic access. In 2017/18 we hosted 4 new organisations in our facilities and a total of 50 academics including 27 new users. This collaborative approach enhances the capabilities of our people and the wider nuclear industry.

Our facilities are integral to the development of long-term relationships with our customers. A decision this year that our Central Laboratory is the preferred option for the replacement of analytical chemistry services for Sellafield Ltd will develop and enhance the Technical Services Agreement between NNL and Sellafield Ltd in the coming years. The future asset care requirements of our facilities will be built into our future plans.

Highlights **3.4**

INNOVATION, RESEARCH & DEVELOPMENT AND SCIENCE

Our Innovation, Research and Development activity is focused on creating new capabilities for the business in the form of new products and services, skills, techniques or innovations that can sustain our future growth. The programme also ensures that our technical reputation appropriately reflects the scope of work and depth of expertise within the organisation.

Some highlights from the programme this year include:

- We initiated and facilitated the "Big Technology" initiative to bring together research and innovation leaders from the nuclear sector with those from other innovative sectors of the UK's technology landscape to explore how to drive greater efficiencies in nuclear programmes. This is intended as the first important step to enable advanced and disruptive technologies to benefit the nuclear sector's key missions by reducing costs and enhancing safety and security.
- Our £3m investment in Innovation R&D has enabled NNL to collaborate in national and international programmes valued at £67m. These include collaborations with the EU, with academia and with industry, including SMEs, through Innovate UK funding.
- Our long-term investment in internal R&D work was shown to have contributed strongly to winning over £16m of customer-funded work during FY 17/18, demonstrating that NNL's R&D programmes are appropriately focused on meeting real industrial challenges in areas that include robotics, materials and environmental science.
- Our focus on developing NNL expertise has been sharpened through a relaunching of the NNL Fellowship programme.
- We submitted 65 papers to peer-reviewed journals – more than we have ever achieved before - and have contributed to the publication of guidance documents for the International Atomic Energy Agency (IAEA).
- A collaboration has been established with Sellafield Ltd in diverse areas such as characterisation, decontamination, process chemistry, materials and environmental radiochemistry.
- Significantly improved understanding of the processes surrounding recovery of uranium from inorganic and organic matrices has been developed with numerous potential applications.
- Collaborations with small and medium enterprises have let to development of innovative technologies such as Electronically Assisted Surface Decontamination technology for the treatment of contaminated steels (developed with CTECH).

Highlights **3.5**

BUSINESS TRANSFORMATION

We identified the need to transform our business in 2016 and began a programme of interconnecting projects to refocus our organisation around our customers. While many of our core customers will continue to be the same in the decade ahead, their needs will change as the nuclear landscape changes. We recognised the need to change our business to meet these new requirements.

Our Transformation Programme will allow us to build on our existing capabilities to ensure we have the right expertise to meet the changing needs of the industry – within the UK and internationally. This is an extended investment over several years, designed to bring our systems up to date, restructure our business to align to our customers' needs, increase our strategic capability, and ensure that we remain an exemplary employer of today's diverse and highly skilled workforce.

The key focus of our transformation programme during 2017-18 was to revitalise our core capability through internally reorganising our structures so that we are best-equipped to understand and deliver our customer commitments. We will transition to this new structure from early 2018-19. In addition, we've delivered a large number of background system and process changes to make things simpler and more efficient.

Highlights **3.6**

FINANCIAL PERFORMANCE

Despite the challenges of the year, discussed earlier, our financial performance this year has been solid. Our revenue was slightly ahead of the previous year at £102.8m, very slightly behind the target we'd set for ourselves. Nevertheless, thanks to excellent performance across the business in balancing operational challenges and the demands of our customers, we were able to hit our Earnings To Reinvest target figure of £5.3m.

Our People and Our Communities 4.1

SUPPORTING AND DEVELOPING OUR PEOPLE

We encourage an environment of open communication and discussion, sharing regular business, team and individual updates through established on-line and face-to-face channels. In addition to this, our employee engagement approach takes into account a range of things including recognition, development, involvement, health, wellbeing and flexibility.

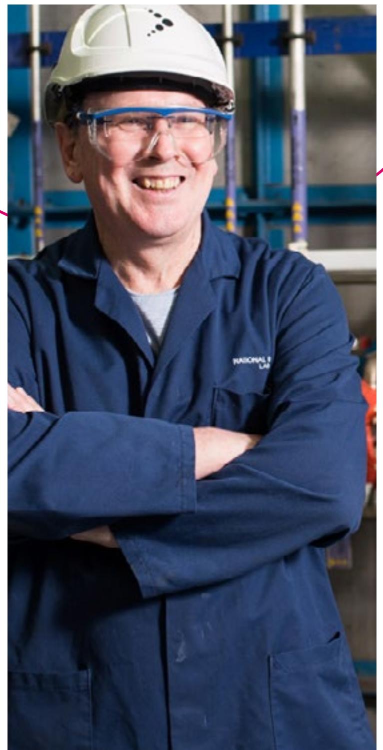
Our commitment to employee development and recognition is demonstrated in a variety of ways, including:

- We have a thriving Early Careers programme with over 5% of our staff being classed as "Early Careers" and we had more graduate applications than ever before (over 1,600) and over 400 applications for our 2018 intake. Preparation has been on-going to launch the first ever programme for post-graduate entrants into the nuclear industry in 2018.
- We have supported Diversity and Inclusion within the business with a dedicated focus on a new internal working group which, working under the Women in Nuclear Industry Charter, will ensure NNL continues to be recognised as a diverse employer.
- We offer General Management, Technical Graduate and Apprentice programmes and a new intake is due for 2018/19.
- We have an interactive learning portal to help employees take responsibility for their professional development, allowing them to enrol on training and development programmes and view vacancies and secondment opportunities.
- We've developed our SCITEC values and behaviours, which we've rolled out across NNL.
- In addition, over a quarter of our employees were recognised locally for going above and beyond expectations. We have a culture of reward and recognition with managers and colleagues regularly nominating team members for recognition where they feel they have gone above and beyond expectations to deliver for the customer.

Our People and Our Communities 4.2

INVOLVING OUR PEOPLE

We continue to involve leaders and managers from across the business in developing and sharing our plans to transform NNL. They bring a combination of critical nuclear sector knowledge and experience, awareness of issues previously raised through employee fora, and established good practice from outside the sector.



Our People and Our Communities 4.3

HEALTH AND WELLBEING

We take a holistic view of our employees' health and wellbeing. For example, as part of our 'GO' health and wellbeing programme, we offered all employees the chance to get a winter flu inoculation and we continue to provide regular free fruit baskets at each site.

In addition to these physical benefits, we are proactive in raising awareness of unconscious bias and take a zero tolerance approach to discrimination, bullying, harassment and victimisation. We have run a series of 'Dignity at Work' events to raise awareness of these issues and help people to understand how to recognise and respond to them. The majority of our people have attended this training.

We also provide access to a free 24-hour employee assistance programme – Lifeworks - where employees and their families can access confidential support on a range of topics, from coping with difficult personal situations to managing finances.

Our People and Our Communities 4.4

FLEXIBILITY

We encourage flexible working, wherever practical across our business. This gives our people the flexibility to better balance their work and personal/family commitments. We also support part-time working, with just under 10% of our workforce on part-time hours.

Our flexible approach also allows people to take part in events that support their local communities, some of which are outlined in the next section.

Our People and Our Communities 4.5

WORKING WITH LOCAL COMMUNITIES

NNL maintains a strong programme of Corporate Social Responsibility (CSR) and outreach activity focused predominantly on supporting Science, Technology, Engineering and Maths (STEM) in and around the communities where our facilities are based and where our people live.

Through our social impact programmes we have met over 1,000 school children and have hosted 42 students on work-experience programmes at our sites.

Some of the highlights of the year include:

- Sponsoring Science Festivals in a number of locations close to our sites
- Supporting STEM events including 'Engineer Your Future', 'Tomorrow's Engineers', 'Go4SET' and 'Take AIM'
- Providing donations to local charities from employee led fundraising events
- Helping schools and colleges in different ways:
  - Smallpiece residential events
  - Career conventions and mock interview sessions
  - Scholarship funding (Arkwright)
  - Engineering Education Scheme
  - Structured work placements within NNL, including the highly regarded Dream Placement scheme in Cumbria.

During the year we funded over 2,500 hours of our employees' time to support CSR activity, and we know that significant extra support was provided by our people in their own time.

NNL's Chief Executive, Paul Howarth, continues to chair CoNE (the Centre of Nuclear Excellence) and NNL is also represented on the Board of Marketing Cheshire.

NNL is also an active supporter of Women in Nuclear (WiN) UK. Part of their mission is to address the industry's gender balance, improving the representation of women in leadership. Of our employees, 26% are female, and many (both female and male) are members of WiN.

5.0

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.

Governance Statement **5.1**

GOVERNANCE FRAMEWORK

(inc. modern slavery statement and gender pay reporting)

The Department of Business, Energy and Industrial Strategy (BEIS) is the owner of the National Nuclear Laboratory Limited (NNL). BEIS manages its ownership through UK Government Investments Ltd (UKGI). The role of UKGI is to advise ministers on the management of the Government's interest in NNL and a UKGI representative is a member of the Board.

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's size and status, has, together with UKGI, continued to develop the governance of the business in accordance with the UK Corporate Governance Code.

Specifically, NNL is committed to preventing modern slavery and human trafficking. NNL will not tolerate the abuse of men, women or children and strives for total transparency right through its business and supply chains. Accountability is assigned to the NNL Chief Financial Officer with the Procurement Team undertaking day to day management. NNL's slavery and human trafficking statement for the financial year ending 31 March 2018 (made pursuant to section 54(1) of the Modern Slavery Act 2015) has been approved by the NNL Board and is published on the NNL website (www.nnl.co.uk).

NNL reported its gender pay gap analysis in March 2017 pursuant to the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017; the results were as follows:

	Mean	Median
Pay	9.2%	18.0%
Bonus	6.8%	0.0%

We are developing an action plan to help us to reduce the gender pay gap in our workforce. This plan will be overseen by a senior management team to ensure actions are implemented, monitored and evaluated. We will publish our action plan by financial year 2018/19. Our objective is to reduce our gender pay gap year on year with a view to ultimately eliminating it.

An audit has been undertaken and an action plan developed to ensure full compliance with the General Data Protection Regulations (GDPR) which came in to effect from 25 May 2018. NNL have carried out a full audit of our processes and procedures and have updated them to ensure full compliance with GDPR.

Governance Statement **5.2**

BOARD AND ITS COMMITTEES

The Board of Directors currently comprises a Non-Executive Chairman, four further Non-Executive Directors and four Executive Directors (the Chief Executive, the Chief Financial Officer, the Chief Customer Officer, the Chief HR Officer - and the Chief Scientist). The Board met 8 times in 2017-18 (2016-17 - 9 times).

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

Name	Position	Board	Audit Committee	Remuneration Committee	Nominations Committee
Sir Andrew Mathews	Chairman	7/8		3	1
Paul Howarth	Chief Executive Officer	8			
Jilly Atherton*	Chief HR Officer	2/2			
David Beacham	Chief Customer Officer	8			
Ruth Dunphy	Chief Financial Officer	8			
Claire Flint	Non-Executive Director	7/8		3	1
Iain Lanaghan	Non-Executive Director	8	3	3	1
Andrew Sherry	Chief Scientist	8			
Jonathan Walker**	Non-Executive Director	8	3	3	1
Mike Weightman	Non-Executive Director	7/8	2/3		1
Number of meetings		**8**	**3**	**3**	**1**

* Resigned 16 August 2017 ** Resigned 20 April 2018 (post year end)

Anna Payton was appointed after the year end and therefore didn't attend any meetings during the year.

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, ten 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 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.

Board Review

An independent Board review was conducted in 2017 to review progress following the 2016 review. The review drew strong, positive conclusions and noted that "the NNL Board has made significant and positive progress in the last 12 months". The attitude displayed by Board members was cited as "an example of best practice in Board operation". Recommendations for improvement have been addressed.

Audit Committee

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

The Audit Committee comprises three 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 three times in 2017-18 and will continue to meet at least twice each year in future.

Remuneration Committee

The Remuneration Committee is responsible for reviewing and recommending Executive Director salaries, performance related payments and taxable benefits. In order to attract, motivate and retain talented leaders to deliver the NNL strategy, it is also responsible for maintaining an overview of executive appointments and remuneration policy, and for overseeing major changes to employee benefit structures.

The Remuneration Committee comprises four independent Non-Executive Directors and is chaired by a Non-Executive Director, currently Claire Flint. 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 three times in 2017-18 and will continue to meet at least three times each year in future.

Nominations Committee

The Nominations Committee was established in response to a recommendation arising from the 2016 Board Review. It is responsible for advising the NNL Board on matters relating to NNL's leadership requirements and the Board's succession planning requirements. The Committee makes recommendations to the Board for its approval and onward recommendation to the Shareholder, who reserves the power to appoint a majority of NNL Board members.

The Committee met once in 2017-18 and will meet at least twice 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 including EDF Energy, Sellafield and UKAEA (Culham). This year, we welcomed the NDA as a full member of the TAB. Representatives from other organisations are invited as appropriate, particularly overseas national laboratories.

Assurance Advisory Board

The Assurance Advisory Board (AAB) is not a formal Board subcommittee but was established in response to a recommendation arising from the 2016 Board Review. It is responsible for advising the NNL Board and Executive Leadership Team on all aspects of the overall assurance framework except financial assurance, which is provided by the Audit Committee. It provides advice to the NNL Board about the assurance arrangements and strategies for: Environment, Health, Safety, Security and Quality matters; alignment with organisational culture and values; government requirements and statutory legal matters.

The Committee met once in 2017-18 and will meet at least twice each year in future.

Executive Leadership Team

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

- Monitoring the effectiveness of all environmental protection, health and safety, security (including cyber security) and quality aspects of NNL activities including the review and management of assessments of NNL management processes.
- Monitoring assurance activities undertaken to ensure compliance with statutory and regulatory requirements
- Overseeing the Key Performance Indicators (KPIs) that monitor overall progress against targets and ensuring corrective actions are taken.
- Monitoring delivery of Top Level Objectives required to implement the Strategic / Business plan
- Ensuring that NNL operates in line with guidance from the NNL Board
- Sharing feedback from stakeholders
- Driving the strategic development of NNL through implementation of a Strategic Agenda
- Providing governance approval for matters within the delegated authority of the CEO and initial approval for matters that require approval by the NNL Board
- Preparation of a risk register and subsequent reviews and mitigating actions
- Development of performance improvement programmes
- Working with the Remuneration Committee to develop remuneration systems for staff, including performance related pay

Governance Statement **5.3**

RISK MANAGEMENT

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 further enhanced in 2017/18 to improve the effectiveness of the approach and the performance of the business, building on feedback from the 2016 Board Review. Board reporting is structured against the Board Risk Register which is itself reviewed on a regular basis. Deep dives are conducted into individual risks at each Board meeting, actions placed and the risk register updated accordingly.

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

- Operational Safety and Security
- Machinery of Government / Policy Change
- Commercial Performance & Financial Sustainability
- Relationships (particularly that with Sellafield) and Reputation
- Strategy Delivery and Business Transformation
- Capability (People, Facilities, Equipment, IT)

INTERNAL CONTROLS

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

DIRECTORS' REPORT

For the year ended **31 March 2018**

The Directors present their report together with the audited financial statements for the year ended 31 March 2018.

Directors

The directors of NNL during the year and to the date of this report were:

Sir Andrew Mathews KCB FREng	Chairman
Paul Howarth FREng	Chief Executive Officer
Jilly Atherton	Chief HR Officer resigned 16/08/2017
David Beacham	Chief Customer Officer
Ruth Dunphy	Chief Financial Officer
Andrew Sherry FREng	Chief Scientist
Claire Flint	Non-Executive Director appointed 24/04/2017
Iain Lanaghan	Non-Executive Director
Anna Payton	Non-Executive Director appointed 16/05/2018
Jonathan Walker	Non-Executive Director resigned 20/04/2018
Mike Weightman CB FREng	Non-Executive Director

Directors' responsibilities

The Directors are responsible for preparing the annual 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 30 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 (2017 - £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 to help them realise their potential. 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 £35,079 was made in charitable donations to support community projects and for charities promoting Science, Technology, Engineering and Mathematics (STEM) subjects (2017 – £44,397). Also during the period, a total of £17,407 of internal time was spent on corporate responsibility projects (2017 – £53,440) The level of expenditure recognises NNL's national role in underpinning STEM activities. NNL has a policy of not making political donations and consequently there were no political donations during the period (2017 - £Nil).

Insurance

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

For the year ended **31 March 2018**

TO MEMBERS OF NATIONAL NUCLEAR LABORATORY LIMITED

Opinion

We have audited the financial statements of National Nuclear Laboratory Limited ("the Company") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

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

Responsibilities of Directors

As explained more fully in the Directors' report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Use of our report

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.

Stuart Wood (Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
Manchester
United Kingdom

Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME

For the year ended **31 March 2018**

	Note	2018 £'000	2017 £'000
Revenue	2	**102,784**	101,784
Cost of sales		**(67,612)**	(68,477)
Gross profit		**35,172**	33,307
Administrative expenses		**(28,400)**	(21,847)
Profit from operations before exceptional items		**6,772**	11,460
Exceptional items		**(6,263)**	(2,595)
Profit from operations	3	**509**	8,865
Finance income	6	**41**	1,037
Finance expense	6	**(135)**	(755)
Profit before tax		**415**	9,147
Taxation	7	**2,155**	2,739
Profit for the year		**2,570**	11,886
Other comprehensive loss			
Actuarial losses in defined benefit pension schemes	20	**(69)**	(855)
Total other comprehensive loss		**(69)**	(855)
Total comprehensive income		**2,501**	11,031

The notes on pages 43 to 66 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

For the year ended **31 March 2018**

Company number 3857752	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Assets					
Non-current assets					
Property, plant and equipment	9	**64,258**		59,075	
Intangible assets	10	**6,222**		4,777	
Trade and other receivables	11	**304**		394	
Total non-current assets			**70,784**		64,246
Current assets					
Trade and other receivables	11	**30,737**		55,401	
Cash and cash equivalents	12	**34,244**		15,785	
Total current assets			**64,981**		71,186
Total assets			**135,765**		135,432
Equity and liabilities					
Equity					
Share capital	17	**25**		25	
Retained earnings	18	**57,553**		55,052	
Capital and reserves attributable to equity holders of the Company			**57,578**		55,077
Non-current liabilities					
Trade and other payables	13	**31,452**		31,993	
Provisions	14	**14,910**		11,967	
Deferred tax	15	**376**		142	
Retirement benefit obligations	20	**372**		487	
Total non-current liabilities			**47,110**		44,589
Current liabilities					
Trade and other payables	13	**29,336**		33,585	
Provisions	14	**1,741**		2,181	
Total current liabilities			**31,077**		35,766
Total liabilities			**78,187**		80,355
Total equity and liabilities			**135,765**		135,432

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

The notes on pages 43 to 66 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended **31 March 2018**

		2018 £'000	2018 £'000	2017 £'000	2017 £'000
Cash flows from operating activities					
Profit before tax		**415**		9,147	
Adjustments for:					
Depreciation	3	**3,808**		2,688	
Amortisation	3	**227**		440	
Non-cash movements relating to share of defined benefit pension scheme obligations	20	**(69)**		(855)	
Interest receivable	6	**(41)**		(1,037)	
Interest payable	6	**135**		755	
Cash flows from operating profit before changes in working capital and provisions			**4,475**		11,138
Decrease in trade and other receivables		**28,232**		5,200	
Decrease in trade and other payables		**(5,100)**		(1,419)	
Increase in provisions		**2,672**		1,864	
Total changes in working capital and provisions			**25,804**		5,645
Cash generated by operations			**30,279**		16,783
Tax paid			**(1,324)**		(1,698)
Net cash flows from operations			**28,955**		15,085
Investing activities					
Purchases of property, plant and equipment		**(8,849)**		(8,747)	
Purchases of intangible assets		**(1,684)**		(615)	
Cash flows from investing activities			**(10,533)**		(9,362)
Financing activities					
Interest received	6	**41**		29	
Interest paid	6	**(4)**		(332)	
Cash inflows from financing activities			**37**		(303)
Net decrease in cash and cash equivalents			**18,459**		5,420
Cash and cash equivalents at beginning of the year	12		**15,785**		10,365
Cash and cash equivalents at end of the year	12		**34,244**		15,785

The notes on pages 43 to 66 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended **31 March 2018**

	Share Capital £'000	Retained Earnings £'000	Total £'000
At 1 April 2016	25	44,021	44,046
Profit for the year	-	11,886	11,886
Actuarial losses in defined benefit pension schemes	-	(855)	(855)
Total comprehensive income	-	11,031	11,031
At 31 March 2017 and 1 April 2017	25	55,052	55,077
Profit for the year	-	2,570	2,570
Actuarial losses in defined benefit pension schemes	-	(69)	(69)
Total comprehensive income	-	2,501	2,501
At 31 March 2018	**25**	**57,553**	**57,578**

The notes on pages 43 to 66 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended **31 March 2018**

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.

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:

Retirement benefits: Defined benefit schemes (continued)

- the fair value of scheme assets at the Statement of Financial Position date; less
- 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; plus
- 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.

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.

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 10 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.

Financial assets (continued)

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 at call with banks.

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

Critical accounting estimates and judgements (continued)

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.

Changes to estimates can result in significant variations in the carrying value and amounts charged to the Statement of Comprehensive Income in specific periods. More details including carrying values are included in notes 9 and 10.

(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.

POCO

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 £8.3m relates to POCO (2017 - £6.4m). 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 14.

(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 20.

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 on 31 March 2018 £13.1m (2017 - £12.7m 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:

- Annual Improvements to IFRSs (2014-2016 Cycle)
- Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)
- Disclosure Initiative (Amendments to IAS 7)

(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

New standards and interpretations (continued)

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 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Clarifications to IFRS 15 revenue from Contracts with Customers

IFRS 9 Financial Instruments

The directors are reviewing the requirements of IFRS 9, applicable for accounting periods beginning on or after 1st January 2018. The standard, which replaces IAS39, covers three distinct areas: the classification and measurement of financial assets and liabilities, the impairment of financial assets and new hedging requirements designed to give increased flexibility in relation to hedger effectiveness.

No material impacts are expected in the measurement of financial assets or liabilities. IFRS9 requires a new impairment model with impairment provisions based on expected credit losses rather than incurred credit losses under IAS39. Based on an initial assessment the current expectation is that there will be no material impacts from impairment.

The company is adopting the new rules prospectively from 1st April 2018. It is currently considered that no material restatements will be necessary for the comparative period.

IFRS 15 Revenue from contracts with customers

In respect of the above, the directors are specifically reviewing the requirements of IFRS 15 which is applicable for accounting periods beginning on or after 1 January 2018 - for NNL this means that the standard will first be applied in the period commencing 1 April 2018. The standard establishes a single and comprehensive framework to be followed when assessing how much revenue is to be recognised and when. To comply with the standard, IFRS 15 defines a five-step model which NNL will apply, when reporting about the nature; the amount; the timing; and the uncertainty of revenue and cash flows from a contract with a customer. NNL is undertaking a review of its contracts with customers and currently anticipates that the application of IFRS 15 will not have a material impact on the consolidated results of financial position. The majority of NNL contracts begin and end within the same annual accounting period. For long term contracts, the work NNL provides is generally highly specialised, tailored to a customer's specific individual requirements and typically has an enforceable right to payment for performance completed to date. As such, IFRS 15 permits the recognition of revenue for these contracts over time, consistent with current revenue recognition accounting policy. IFRS 15 NNL will apply the standard retrospectively, utilising the practical expedient to not restate contracts that begin and end within the same annual accounting period.

IFRS 16 Leases

Similarly the directors are reviewing the impact of IFRS 16, which will become effective for the 31 March 2020 year end. At the current year end the total minimum lease payments on operating leased assets is £21.2m (see note 19). As a result it is expected the assets and liabilities for leased assets would be significantly higher if IFRS 16 were effective at the current time.

None of the other new standards, interpretations and amendments, which are effective for periods beginning on or after 1 January 2017 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.

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

Revenue arises entirely from the sale of services principally in the UK. Sales to overseas customers make up a small proportion of total revenue at £1,859,509 (2017 - £1,784,450).

3. PROFIT FROM OPERATIONS

This has been arrived at after charging:	2018 £'000	2017 £'000
Staff costs (see note 4)	59,141	48,961
Depreciation (see note 9)	3,808	2,688
Amortisation (see note 10)	227	440
Research and development expenses	2,210	1,529
Operating lease expense:		
- rent	2,365	2,235
- other	129	168
Auditor's remuneration:		
- audit services	34	31
- other services	32	30
Foreign exchange loss (see note 6)	67	32
Exceptional item:		
Costs associated with business transformation programme	**6,263**	2,595

Research and development (R&D) expenses reflect all the Company's self-funded R&D programme expenditure excluding staff costs.

Exceptional costs of £6.3m in the year represents the incremental cost to the company from investment in business transformation. Prior year exceptional costs of £2.6m represents the setup of the business transformation programme and delivery teams.

4. STAFF COSTS

Staff costs (including executive and non-executive directors) comprise:	2018 £'000	2017 £'000
Wages and salaries	45,719	38,894
Social security costs	5,436	4,419
Pension costs	7,724	5,467
Defined benefit pension cost (note 20)	262	181
	59,141	48,961
The average number of employees during the period was as follows:	**Number**	**Number**
Scientific, technical, engineering and facilities	673	667
Administrative	157	131
	830	798

5. DIRECTORS' REMUNERATION

Directors' remuneration for both executive and non-executive directors consists of:	2018 £'000	2017 £'000
Emoluments	1,137	928
	1,137	928

There were five directors in NNL's defined benefit scheme over the course of the year. Increases in Directors Remuneration from 2017 to 2018 reflect timing differences arising from appointments made mid year in 2016/17

The highest paid director received remuneration of £265,976 (2017 - £257,180)

6. FINANCE INCOME AND EXPENSE

Finance income:	2018 £'000	2017 £'000
Bank interest receivable	41	29
Finance debtor income	-	1,008
	41	1,037
Finance expense:		
Bank charges	4	4
Interest payable on loans from group undertakings	-	259
Revalorisation	64	460
Foreign exchange loss	67	32
	135	755

7. TAX CREDIT

United Kingdom corporation tax credit	2018 £'000	2017 £'000
Current year	(544)	(2,252)
Adjustments in respect of prior years	(419)	1,285
Tax reclaimed on research and development	3,352	3,848
Total current tax credit	**2,389**	2,881
Deferred tax		
Origination and reversal of temporary differences	(234)	(142)
Total deferred tax charge	(234)	(142)
Total tax credit on profits on ordinary activities	**2,155**	2,739

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:	2018 £'000	2017 £'000
Profit before tax	**415**	9,147
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2017 - 20%)	(79)	(1,829)
Items not deductible for tax purposes and other items	(81)	(156)
Pension scheme adjustments	13	171
Movement in deferred tax not recognised	28	190
Tax credits on research and development	(659)	(770)
Tax reclaimed on research and development	3,352	3,848
Adjustments in respect of prior years	(419)	1,285
Total taxation credit for the year	**2,155**	2,739

NNL's tax reclaim for 2018 is £3,351,699 (2017 - £3,848,097). 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. In addition, reductions in the UK corporation tax rate to 17% (effective 1 April 2020) has been substantively enacted. The deferred tax liability at 31 March 2018 has been calculated based on the rates substantively enacted at the date of the statement of financial position.

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 2017	10,314	34,613	23,008	67,935
Additions	-	-	8,991	8,991
Transfers from assets in course of construction	3,775	867	(4,642)	-
At 31 March 2018	**14,089**	**35,480**	**27,357**	**76,926**
Accumulated depreciation and impairment				
At 1 April 2017	3,542	5,318	-	8,860
Depreciation charge for the year	1,336	2,472	-	3,808
At 31 March 2018	**4,878**	**7,790**	**-**	**12,668**
Net book value				
At 1 April 2017	6,772	29,295	23,008	59,075
At 31 March 2018	**9,211**	**27,690**	**27,357**	**64,258**

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 National Nuclear User Facility. Additions include £255k of accrued costs not yet invoiced (2017 - £113k).

10. INTANGIBLE ASSETS

	Computer software £'000	Service concession £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 April 2017	2,180	3,782	684	6,646
Additions	-	-	1,672	1,672
Transfers from assets in course of construction	458	-	(458)	-
At 31 March 2018	**2,638**	**3,782**	**1,898**	**8,318**
Accumulated amortisation				
At 1 April 2017	1,869	-	-	1,869
Amortisation charge for the year	227	-	-	227
At 31 March 2018	**2,096**	**-**	**-**	**2,096**
Net book value				
At 1 April 2017	311	3,782	684	4,777
At 31 March 2018	**542**	**3,782**	**1,898**	**6,222**

Additions in the year represent continued investment into computer software. Transfers represent assets brought into use in the year. Additions in the year include £nil accrued costs (2017 - £12k)

11. TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Trade receivables	9,451	33,850
Amounts due from group undertakings	160	104
Prepayments and accrued income	14,445	13,561
Corporation tax	6,449	6,997
Other receivables	536	1,283
Total trade and other receivables	**31,041**	55,795
Less: non-current trade and other receivables	(304)	(394)
Current trade and other receivables	**30,737**	55,401

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

	2018 Other £'000	2018 Total £'000	2017 Other £'000	2017 Total £'000
1-2 years	-	-	163	163
2-5 years	265	265	108	108
Over 5 years	39	39	123	123
	304	**304**	394	394

The fair value of trade and other receivables approximates to their carrying value at 31 March 2018 and 31 March 2017.

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

	2018 £'000	2017 £'000
Pound sterling	31,023	55,698
US Dollar	13	7
Euro	5	90
	31,041	55,795

11. TRADE AND OTHER RECEIVABLES (continued)

At 31 March 2018 no trade receivables were impaired (2017 - £Nil). As at 31 March 2018 trade receivables of £1,640,492 (2017 - £724,741) were past due but not impaired. Only £111,913 of the overdue debt from the year end remains unpaid.

The ageing of trade receivables are as follows:

	2018 Related parties £'000	2018 Third parties £'000	2018 Total £'000	2017 Related parties £'000	2017 Third parties £'000	2017 Total £'000
Not yet due	3,274	4,536	7,810	24,855	8,270	33,125
1-30 days	822	495	1,317	18	145	163
31-60 days	137	65	202	327	225	552
61-90 days	118	2	120	-	3	3
Over 91 days	2	-	2	17	(10)	7
	4,353	**5,098**	**9,451**	25,217	8,633	33,850

12. CASH AND CASH EQUIVALENTS

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

	2018 £'000	2017 £'000
Cash available on demand	**34,244**	15,785

Book values equal fair values at 31 March 2018 and 2017. All day to day banking matters are dealt with by the NatWest Bank, part of the RBS group.

13. TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Payments received on account	4,575	7,118
Trade payables	2,571	3,044
Taxation and social security	3,578	7,695
Accruals and deferred income	50,064	47,721
	60,788	65,578
Less: non-current trade and other payables	(31,452)	(31,993)
Current trade and other payables	**29,336**	33,585

Non-current other payables which represent capital grants are aged as follows:

	2018 £'000	2017 £'000
1-2 years	1,232	1,160
2-5 years	3,694	3,480
Over 5 years	26,526	27,353
	31,452	31,993

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

	2018 £'000	2017 £'000
Pound sterling	60,788	65,578

Book values equal fair values at 31 March 2018 and 2017.

The ageing of the trade payables are as follows:

	2018 Related parties £'000	2018 Third parties £'000	2018 Total £'000	2017 Related parties £'000	2017 Third parties £'000	2017 Total £'000
Not yet due	148	2,259	2,407	821	2,223	3,044
1-30 days	-	158	158	-	-	-
31-60 days	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-
Over 91 days	-	6	6	-	-	-
	148	**2,423**	**2,571**	821	2,223	3,044

14. PROVISIONS

	Early retirees £'000	Severance £'000	Loss making contracts £'000	Other £'000	Total £'000
At 1 April 2017	1,137	4,081	2,556	6,374	14,148
Reclassification	(94)	94	-	-	-
Charged to profit or loss	-	-	1,378	1,929	3,307
Utilised in year	(83)	(378)	(246)	(174)	(881)
Revalorisation	32	144	200	486	862
Released in the year	(435)	(76)	-	(274)	(785)
At 31 March 2018	**557**	**3,865**	**3,888**	**8,341**	**16,651**
At 1 April 2017					
Due within one year	433	379	1,352	17	2,181
Due after more than one year	703	3,703	1,204	6,357	11,967
	1,136	4,082	2,556	6,374	14,148
At 31 March 2018					
Due within one year	56	301	1,290	94	1,741
Due after more than one year	501	3,564	2,598	8,247	14,910
	557	**3,865**	**3,888**	**8,341**	**16,651**

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

15. DEFERRED TAX

At 31 March 2018 a deferred tax liability is recognised as disclosed below.

	2018 £'000	2017 £'000
Provision at start of year	142	-
Deferred tax charged in the year	234	142
Provision at end of year	**376**	142

At 31 March 2018 the deferred tax provision consists of.

	2018 £'000	2017 £'000
Depreciation in excess of capital allowances	1,513	1,205
Other timing differences - pension and post retirement benefits	(63)	(83)
Other timing differences - provisions	(1,074)	(980)
Provision at end of year	**376**	142

16. 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

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.

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 polices 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:

	2018 £'000	2017 £'000
Pound Sterling	33,069	15,615
US Dollar	693	88
Euro	482	82
	34,244	15,785

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:

	2018 Carrying value £'000	2018 Maximum exposure £'000	2017 Carrying value £'000	2017 Maximum exposure £'000
Cash and cash equivalents	34,244	34,244	15,785	15,785
Trade and other receivables	31,041	31,041	55,795	55,795
Total financial assets	**65,285**	**65,285**	71,580	71,580

Credit risk management (continued)

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.

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.

17. SHARE CAPITAL

Authorised, issued and fully paid

	2018 Number	2017 Number	2018 £'000	2017 £'000
Ordinary shares of £1 each	**25,000**	25,000	**25**	25

18. RESERVES

	2018 £'000	2017 £'000
Reserves at beginning of the year	**55,052**	44,021
Profit for the year	2,570	11,886
Other comprehensive (loss)	(69)	(855)
Total comprehensive income	2,501	11,031
Reserves at end of the year	**57,553**	55,052

19. 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:

Lease cost to expiry:	2018 Land and buildings £'000	2017 Land and buildings £'000	2018 Other £'000	2017 Other £'000
Not later than one year	2,177	2,243	60	126
Between one year and five years	6,134	7,139	-	68
Later than five years	12,935	14,107	-	-
Total financial assets	**21,246**	23,489	**60**	194

20. 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 period represents contributions payable by NNL to the scheme and amounts to £6,933,348 (2017 - £5,256,467).

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 was carried out for the Trustees at 31 March 2016. This has been updated to 31 March 2018 by a qualified independent actuary. The actuarial assumption for salary increases was 4.2%.

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 was carried out for the Trustees at 31 March 2016. This has been updated to 31 March 2018 by a qualified independent actuary. The actuarial assumption for salary increases was 4.2%.

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

	2018 CNPP £'000	2018 ESPS £'000	2018 Total £'000	2017 CNPP £'000	2017 ESPS £'000	2017 Total £'000
Fair value of scheme assets	**4,843**	**10,196**	**15,039**	4,661	9,936	14,597
Present value of scheme liabilities	**(5,141)**	**(10,270)**	**(15,411)**	(4,844)	(10,240)	(15,084)
Deficit in the scheme	**(298)**	**(74)**	**(372)**	(183)	(304)	(487)

20. 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:

	2018 CNPP years	2017 CNPP years	2018 ESPS years	2017 ESPS years
Male	**22**	22	**22**	22
Female	**24**	24	**24**	24

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

	2018 CNPP years	2017 CNPP years	2018 ESPS years	2017 ESPS years
Male	**24**	24	**24**	24
Female	**26**	26	**26**	26

Expected increases in pensions in payment, discount rates, and inflation are as follows:

	2018 CNPP years	2017 CNPP years	2018 ESPS years	2017 ESPS years
Expected increase in pensions-in-payment	**3.2%**	3.3%	**3.2%**	3.3%
Discount rate pensioner liabilities	**2.5%**	2.4%	**2.5%**	2.4%
Discount rate deferred and active liabilities	**2.6%**	2.7%	**2.6%**	2.7%
Inflation rate	**3.2%**	3.3%	**3.2%**	3.3%

Expected discount rates are based on market yields on AA rated corporate bonds. Different discount rates have been applied to each group of members to recognise the cash flow timings attributable to each group.

Defined Benefit Obligation trends

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2016	3,897	8,313	12,210
Expected return on plan assets	141	304	445
Employer contributions	65	343	408
Benefits paid	(46)	(131)	(177)
Contributions by scheme participants	10	28	38
Actual return less expected return on pension scheme assets	594	1,079	1,673
At 31 March 2017	4,661	9,936	14,597
At 1 April 2017	4,661	9,936	14,597
Expected return on plan assets	126	259	385
Employer contributions	74	372	446
Benefits paid	(47)	(324)	(371)
Contributions by scheme participants	10	22	32
Actual return less expected return on pension scheme assets	19	(69)	(50)
At 31 March 2018	**4,843**	**10,196**	**15,039**

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 2018 and at 31 March 2017 were as follows:

CNPP	2018 Expected rate of return	2018 Fair value £'000	2017 Expected rate of return	2017 Fair value £'000
Growth Assets	2.5%	2,455	2.4%	2,344
Corporate bonds	2.5%	2,330	2.4%	2,253
Cash	2.5%	58	2.4%	64
		4,843		4,661

20. RETIREMENT BENEFITS (continued)

Reconciliation of scheme assets

ESPS	2018 Expected rate of return	2018 Fair value £'000	2017 Expected rate of return	2017 Fair value £'000
Equities	-	-	2.4%	2,449
Target Return/ Diversified Growth Fund	2.5%	3,874	2.4%	2,452
Index-linked gilts	2.5%	4,667	2.4%	3,190
Corporate bonds	2.5%	1,333	2.4%	1,295
Cash	2.5%	322	2.4%	550
		10,196		9,936

Reconciliation of plan liabilities

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2016	3,769	8,300	12,069
Interest cost	136	299	435
Current service cost	57	134	191
Benefits paid	(46)	(131)	(177)
Changes in assumptions underlying present value of schemes liabilities	918	1,610	2,528
Contributions by scheme participants	10	28	38
At 31 March 2017	4,844	10,240	15,084
At 1 April 2017	4,844	10,240	15,084
Interest cost	132	264	396
Current service cost	93	158	251
Benefits paid	(47)	(324)	(371)
Changes in assumptions underlying present value of schemes liabilities	109	(90)	19
Contributions by scheme participants	10	22	32
At 31 March 2018	**5,141**	**10,270**	**15,411**

20. RETIREMENT BENEFITS (continued)

Defined benefit obligation trends of scheme as a whole as at 31 March 2017

	CNPP £'000	ESPS £'000	Total £'000
Scheme assets	4,661	9,936	14,597
Scheme liabilities	(4,844)	(10,240)	(15,084)
Scheme Deficit	(183)	(304)	(487)
Experience adjustments on assets	**594**	**1,079**	**1,673**
As a % of scheme assets	**12.7%**	**10.9%**	**11.5%**

Defined benefit obligation trends of scheme as a whole as at 31 March 2018

	CNPP £'000	ESPS £'000	Total £'000
Scheme assets	4,843	10,196	15,039
Scheme liabilities	(5,141)	(10,270)	(15,411)
Scheme Deficit	(298)	(74)	(372)
Experience adjustments on assets	**19**	**(69)**	**(50)**
As a % of scheme assets	**0.4%**	**(0.7%)**	**(0.3%)**

20. RETIREMENT BENEFITS (continued)

Movement in overall scheme surplus/(deficit) from 1 April 2016 to 31 March 2017

	CNPP £'000	ESPS £'000	Total £'000
Surplus at 1 April 2016	128	13	141
Operating costs	(57)	(134)	(191)
Expected return on pension scheme assets	141	304	445
Interest on pension scheme liabilities	(136)	(299)	(435)
Actuarial gains and losses	(324)	(531)	(855)
Contributions paid	65	343	408
Deficit at 31 March 2017	**(183)**	**(304)**	**(487)**

Movement in overall scheme deficit from 1 April 2017 to 31 March 2018

	CNPP £'000	ESPS £'000	Total £'000
Deficit at 1 April 2017	(183)	(304)	(487)
Operating costs	(93)	(158)	(251)
Expected return on pension scheme assets	126	259	385
Interest on pension scheme liabilities	(132)	(264)	(396)
Actuarial gains and losses	(90)	21	(69)
Contributions paid	74	372	446
Deficit at 31 March 2018	**(298)**	**(74)**	**(372)**

20. RETIREMENT BENEFITS (continued)

Amounts recognised in the financial statements

Analysis of amounts recognised in the statement of financial position

CNPP	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Fair value of scheme assets	**4,843**	4,661	3,897	3,899
Present value of scheme liabilities	**(5,141)**	(4,844)	(3,769)	(4,490)
Net pension (liability)/asset	**(298)**	(183)	128	(591)

ESPS	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Fair value of scheme assets	**10,196**	9,936	8,313	8,182
Present value of scheme liabilities	**(10,270)**	(10,240)	(8,300)	(9,305)
Net pension (liability)/asset	**(74)**	(304)	13	(1,123)

Total	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Fair value of scheme assets	**15,039**	14,597	12,210	12,081
Present value of scheme liabilities	**(15,411)**	(15,084)	(12,069)	(13,795)
Net pension (liability)/asset	**(372)**	(487)	141	(1,714)

Included in administrative expenses

	2018 CNPP £'000	2018 ESPS £'000	2018 Total £'000	2017 CNPP £'000	2017 ESPS £'000	2017 Total £'000
Current service cost	**93**	**158**	**251**	57	134	191
Expected return on plan	**(126)**	**(259)**	**(385)**	(141)	(304)	(445)
Interest cost	**132**	**264**	**396**	136	299	435
Defined benefit pension cost	**99**	**163**	**262**	52	129	181

21. RELATED PARTY TRANSACTIONS

Trading transactions

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

	2018	2017	2018	2017	2018	2017	2018	2017
	Sales of goods/services		Amounts owed by related parties		Purchases of goods/services		Amounts owed to related parties	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
BEIS	6,155	2,024	1,343	-	74	85	-	-
MOD	167	45	-	30	137	-	-	-
NDA	6,040	4,343	1,620	1,497	-	-	-	-
Sellafield Ltd	36,399	45,718	1,390	23,690	4,234	3,725	148	821
Total	**48,760**	52,130	**4,353**	25,217	**4,445**	3,810	**148**	821

Undertakings under common control of the Government are the Department for Business, Energy and Industrial Strategy (BEIS), Ministry of Defence (MOD), Nuclear Decommissioning Authority (NDA) and Sellafield Limited (SL).

Since the financial year ended 31 March 2018 some of the amounts owed by related parties have been settled by cash but a balance of £32,238 remains and is now overdue. The Directors are confident that the balance will be collected and therefore do not believe a provision is required.

22. CONTROLLING PARTY

All of the share capital of NNL is owned by its parent, NNL Holdings Limited. NNL Holdings Limited's country of incorporation is England and Wales with a registered address of Chadwick House, Warrington Road, Birchwood Park, Warrington WA3 6AE. 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 Business, Energy and Industrial Strategy. In the Directors' opinion, NNL's ultimate controlling party is Her Majesty's Government.

National Nuclear Laboratory
5th Floor
Chadwick House
Warrington House
Birchwood Park
Warrington
WA3 6AE

+44 (0) 1925 289 800
customers@nnl.co.uk