NATIONAL NUCLEAR LABORATORY

Annual Report 2014

Who we are and what we do

The UK's National Nuclear Laboratory (NNL) offers a breadth of technical products and services supporting the complete nuclear fuel cycle, from fuel manufacture and power generation to reprocessing, waste treatment and disposal. We operate from six sites in Cumbria, Lancashire, Cheshire, Gloucestershire and Oxfordshire, although most of our work is focused around our sites in the North West of England, and we are the second biggest industrial employer in West Cumbria.

With over 10,000 man years of nuclear experience across the fuel cycle, coupled with world-leading nuclear R&D facilities, we deliver the experts and technologies that ensure the UK nuclear industry operates safely, efficiently and cost effectively.

NNL plays a central role in the co-ordination of UK nuclear research and development and maintains close links with academia and industry. We support Government in safeguarding the UK's nuclear skills and capabilities and provide advice on key strategic decisions.

Our facilities:

- Workington
- Sellafield/Windscale
- Preston
- Risley
- Stonehouse
- Harwell

Our scope of work includes:

- Measurement and analysis
- Waste and spent fuel technology
- Fuels and radioisotopes
- Safety management
- Asset care
- Security
- Reactor operation support
- Environmental services

Our UK customers include:

- Nuclear Decommissioning Authority
- Sellafield Limited
- EDF Energy
- Ministry of Defence
- Springfields Fuels Ltd
- AWE

In other parts of the world we work with Governments and utilities as well as other national laboratories.

Contents

Introduction from the Chairman

Significant changes heralded at the end of the 2012/13 financial year came into effect during 2013/14, making this a transformational year for the National Nuclear Laboratory.

Richard Maudslay
Chairman

As I mentioned in our 2013 Annual Report, the Government's Nuclear Industrial Strategy included a number of major developments for NNL, making us a true National Laboratory. These changes move the organisation closer to the centre of the UK Government's thinking on nuclear technical matters.

In October 2013, we made the transition from a GOCO (Government-Owned, Contractor-Operated) business to a GOGO (Government-Owned, Government-Operated) business. We said goodbye – in a contractual sense – to Serco, Battelle and The University of Manchester (SBM) and I would like to thank them publicly for their contributions to the successful stewardship of the business during their five year involvement. We are delighted that the two most senior members of the SBM management team elected to remain with NNL following the transition – Paul Howarth as Managing Director and David Healey as Finance and Commercial Director.

Later in the year both Ian Smale and Peter Jones came to the end of their terms as Non-Executive Directors and I would like to thank them both for their excellent and thoughtful contributions. We welcomed Craig Lester as a Non-Executive Director, thereby strengthening our links with the Government's Shareholder Executive. As we move forward, we shall expand and further strengthen our Board; the additional talent will assist us to meet the wider and more strategic remit which the Government has given us. At the time of writing we have appointed Mike Weightman, Sir Andrew Mathews and Iain Lanaghan to the Board.

Despite some challenging times in the sector and the considerable changes we went through as a business, I am very pleased to report that once again we were able to record a significant profit. This will be ploughed back into the business – supporting our long-term needs through the commissioning of enhanced facilities and into research and development initiatives.

Fundamental to our on-going success is the skill and dedication of our loyal workforce. I would like to pay tribute to their achievements and look forward to building on these during future years.

In summary, this has been a very successful year for NNL on a broad range of measures. I hope you enjoy reading the details of these successes throughout this report.

11% increase

Revenue growth in underlying business

I am very pleased to report that once again we were able to record a significant profit – this will be ploughed back into the business.

Managing Directors' overview

I must begin by echoing Richard Maudslay's words – this has been a very positive year for NNL and for all of the people associated with the business.

Paul Howarth
Managing Director

There have been a number of attention-grabbing pieces of news from Government and elsewhere which have been central to our work, but I would like to start by reflecting on something even more important – another 12 months where we have seen truly excellent safety performance across NNL. Our performance through the year saw us reach almost 14 million hours worked without a lost time accident – a truly remarkable achievement.

The news from Government has been most encouraging this year, with a series of important announcements building on the foundations of the Nuclear Industrial Strategy. As a research organisation, we were particularly pleased to see the establishment of both the Nuclear Innovation and Research Advisory Board (NIRAB) and the Nuclear Innovation and Research Office (NIRO) – the latter based within NNL's Warrington offices. These two bodies will be key in identifying areas where the UK needs to focus attention in civil nuclear R&D and in recommending programmes to fill any gaps. I am pleased that NNL is so closely linked in to this important agenda, which is critical to secure the long-term health and benefit of our sector.

Following the end of the SBM management contract, the new Government-Owned, Government-Operated operating model is testament to Government's faith in NNL as the "go to" organisation on nuclear fission.

All of this could not have happened without our track record – not just on knowledge, insight and innovation – but also our ability to deliver a complex and challenging portfolio of work to our customers in UK and overseas. The operating profit from the delivery of this work will form the basis of our internally-driven Signature R&D programme as well as forming a key element of the investment in facility upgrades, thereby helping to secure our long-term future.

These are exciting times for me to be leading NNL and I believe they are also exciting for everyone who works in the business – as well as those who may be contemplating joining us.

14 million hours

Worked without a lost time accident

The new Government-Owned, Government-Operated operating model is testament to Government's faith in NNL as the "go to" organisation on nuclear fission.

In addition to our safety performance and delivery of projects for our customers, some highlights for me during the year 2013/14 include:

- A new, clearer and more forward-looking remit for the Laboratory from Government, which sets us firmly on the path of a "true" National Laboratory.
- Improved levels of engagement with our key customers and accompanying increases in the levels of customer satisfaction.
- Securing funding from Government to allow the full commissioning of our Phase 3 hot-cells in Central Laboratory – which will bring every part of that world-class building into use.
- Receiving funds to establish, jointly with the Dalton Nuclear Institute, a Nuclear Fuel Centre of Excellence – a superb example of NNL working in partnership with academia in a way which allows us each to play to our respective strengths.
- Closing out our "Fit For the Future" transformation programme, which has delivered a wide range of benefits and which places the business in a much stronger and more flexible state than when we started that work.

Business review and strategic objectives

Business model

NNL provides an extensive and integrated range of technology services and solutions across the nuclear fuel cycle, based on the powerful combination of a highly experienced workforce, with unique skills and internationally recognised expertise, and specialist nuclear facilities.

NNL provides technical support and services to customers in three key business areas:

1

Waste Management and Decommissioning

This business is focused on supporting customers via the development and application of technologies and techniques that assist with the clean-up and eventual decommissioning of nuclear facilities. The business comprises the skills and facilities required to cover the full extent of waste management and decommissioning projects. Particular areas of expertise include environmental and effluent management, measurement and analysis, waste and residue processing, and waste immobilisation technology. Programme integration and project management also form a key part of the service portfolio.

2

Fuel Cycle Solutions

This business is focused on providing fundamental technical solutions to customers in the nuclear industry. Particular areas of expertise include fuel cycle performance and associated technology development, spent fuel disposition and plant integrity. The business also offers nuclear security, safety management and engineering services. An advanced modelling and simulation capability underpins the activities of the business.

3

Reactor Operations Support

This business provides key services to reactor operations including post irradiation examination of fuel, components and graphite to enhance reactor performance. The business also offers power station chemistry, endoscopy and metallography services.

NNL's largest customers are the Nuclear Decommissioning Authority (NDA), Sellafield Limited, Springfields Fuels Limited, EDF Energy and the Ministry of Defence (MOD). NNL also serves other customers in the UK, USA, Japan, Europe and Middle East.

NNL has a number of unique nuclear facilities. The flagship facility is the Central Laboratory located on the Sellafield site. It is unique in the UK with a capability that includes non-active/active laboratories and a rig hall. Other facilities include the Windscale Laboratory (active handling and inspection), Preston Laboratory (uranium research) and the Workington Laboratory (non-radioactive test rig services).

Office based facilities are located at Risley (modelling and simulation/environmental management), Stonehouse (reactor operations support) and Harwell (materials science and chemistry).

Strategic objectives

The NNL vision is to deliver the best nuclear science and technology solutions in the world and our mission, which represents what we must do, is to be the key UK civil nuclear fission R&D provider by:

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

NNL has five strategic objectives which have been developed to drive the business to deliver its vision and mission. Together with high standards in operational EH&S, security and quality performance, which are a prerequisite, NNL's agenda is firmly focused on the following objectives.

1

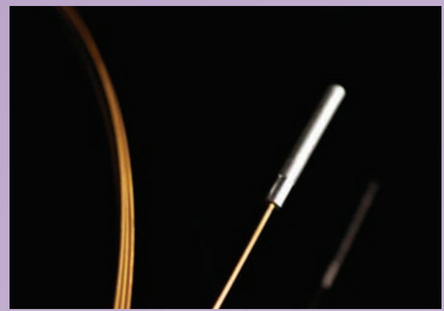
Maximise NNL impact on UK nuclear agenda

This objective sets out to reinforce NNL's position as the key advisor to government and industry, and grow its role as the UK technical advisor whilst delivering National Strategic technical work. It also aims to ensure NNL continues to evolve into a true National Laboratory taking science to solutions by utilising its experienced staff and unique facilities to form partnerships with customers, universities and key nuclear service advisors.

2

Grow and deliver sustainable commercial revenues

In order for NNL to be commercially successful, it is essential that revenues are sustained above a level that supports its fixed cost base; this provides the flexibility required to deliver the mission. Commercial success is fundamental in order to generate the surpluses required to deliver the remaining strategic objectives.



3

Maximise impact of science and technology

The impact of NNL's science and technology is determined by a range of factors including reputation, culture, skills, facilities, and programmes of work. Delivery of this strategic objective requires optimisation of each factor.

4

Become recognised as employer of choice in nuclear sector

NNL aims to be recognised as the employer of choice in the nuclear sector and the world's best lab. In order to do so, NNL must be seen to develop and attract the best people to deliver the best programmes of work, in the best facilities, in the best way.

The science and technology and facilities strategic objectives respectively seek to address the programmes of work and facilities aspects of this aspiration. However, developing and attracting the best people and ensuring work is delivered in the best way will only be achieved through implementation of a people strategy aimed at attracting and developing the right talent, and establishing the right culture, reputation and reward structures.

5

Optimise facility availability and utilisation

National R&D Programmes are expected to result in significant new programmes of work for NNL's facilities. NNL's commercial revenues are growing significantly and this growth is dominated by new work in NNL's facilities. At the same time, a significant investment programme is underway to develop NNL's facilities. Facilities that are currently in care and maintenance are being commissioned and ageing facilities refurbished. This development programme places further demands on NNL's facilities and, in the case of refurbishment, restricts available capacity.

These opportunities will place unprecedented demands on NNL's facilities during the next few years. Benefits will include additional capacity, new capabilities and further operational flexibility. A facilities strategy has been developed to address these demands, building on progress achieved to date and reflecting feedback received from stakeholders and users of the facilities.

Review of business

The Government completed a strategic review of NNL in 2013, the results of which were published as part of its Nuclear Industrial Strategy (NIS) on 26 March 2013. The NIS outlined a new co-ordination role for NNL and set out that NNL would move to being a Government-Owned, Government-Operated (GOGO) company when the management contract with the Serco, Battelle, and University of Manchester consortium (SBM) came to an end.

SBM continued to manage NNL until 30 September 2013 after which NNL moved to being a GOGO company. NNL retains its existing corporate structure so continues to report through the NNL Board to DECC via the Shareholder Executive.

The NIS set out that the UK should establish a national programme of civil nuclear R&D and that Government should invest in facilities to support both such a programme and the wider industry. Central to its recommendations is the clear need to have a strong UK National Laboratory for the nuclear sector. NNL has therefore become more involved in advising Government on nuclear matters and in strategic research projects, in addition to work for commercial customers.

The Government has established a Nuclear Innovation Research Advisory Board (NIRAB) and a Nuclear Innovation Research Office (NIRO) to coordinate the nuclear energy national R&D programme; NIRO is hosted by NNL. NNL has also received grant funding from Government to establish a Nuclear Fuel Centre of Excellence (NFCE) in collaboration with the Dalton Cumbria Facility (DCF) and a National Nuclear User Facility (NNUF) in collaboration with both the Culham Centre for Fusion Energy (CCFE) and DCF. These both contribute to the delivery of its new mission.

NNL signed a number of agreements and memoranda of understanding during the year reflecting its increasing role as the UK's national nuclear laboratory. Agreements with key French nuclear organisations, Commissariat à l'Energie Atomique (CEA), Areva and EDF Energy, were signed as part of the David Cameron, François Hollande 2014 Anglo French summit. Other collaborations include:

Organisation	Purpose
CCFE	Materials research, advanced computing technology, modelling and simulation, robotics and remote handling and neutronics, all of which are relevant to both nuclear fission and nuclear fusion.
CEA	Cooperation on advanced fuel and reactor technologies, particularly with regards to the ASTRID fast reactor.
Areva	Developing nuclear fuel cycle technology, building on NNL's involvement in the UK's Nuclear Fuel Centre of Excellence and exploring technologies to enhance existing plant lifetime.
EDF Energy	Research, education and training for nuclear energy with a particular focus on the new build programme.
Nuclear Advanced Manufacturing Research Centre	Nuclear skills development, with a strong emphasis on the development of Subject Matter Experts, working alongside the National Skills Academy for Nuclear and its extension into the field of nuclear manufacturing.

NNL has three major investment programmes in progress to commission or refurbish key nuclear facilities. Upon completion these investments will all release significant new capability into the business.

Central Laboratory Phase 2 (Alpha Radiation Laboratories)
Work during the year identified a number of issues which have increased cost and extended the expected commissioning time. Final completion of commissioning works in Phase 2 is now likely to be further delayed to early 2016 by the need to meet Sellafield's new site-wide security requirements.

Central Laboratory Phase 3 (High Active Cells)
A risk reduction and general scoping programme was successfully completed during the year. Further work is required to finalise the commercial arrangements with customers for use of the facility. Until these commercial arrangements are firmer and customer requirements are fully understood, further progress on commissioning the facility will be limited.

Windscale Laboratories (High Active Facility)
Despite good progress elsewhere, some ongoing difficulties were encountered in completing a key outage to refurbish the import / export route to the facility. This impacted both operations in the facility during the year and progress on other aspects of the refurbishment. The import / export route was returned to service in July 2014.

Funding for these facility investments continues to be provided by NNL's parent company (NNL Holdings Ltd) and by re-investment of NNL's profits.

Key Performance Indicators (KPIs)

NNL uses performance indicators, both financial and non-financial, to monitor its progress, some of which are used to calculate employees' bonuses. The non-financial KPIs are shown below.

KPI area	KPI	2014 target	2014 outturn
Safety	Days Away Case (DAC) events (including contractors)	2	0
	OSHA recordable injuries	4	1
	Significant events including RIDDOR	2	0
Ill health	Days sick per employee (excluding long term sickness)	2.8	3.3
Environmental performance	Environmental Agency (EA) compliance classification scheme Cat 1 and 2 events	0	0

Overall performance on non-financial KPIs remains good but actions continue to maintain or improve the results.

Financial review

During the year NNL continued its focus on delivering services to its customers, maintaining quality and delivery standards while implementing significant facility investment projects. NNL has demonstrated a consistent ability to win new work in increasingly competitive markets, successfully managing and delivering projects whilst maintaining a strategic UK skills base and delivering value to both its customers and owner.

David Healey
Financial and Commercial Director

Total revenue was below the level achieved in 2013 due primarily to a reduction in revenue recognised on the Central Laboratory Phase 2 commissioning project. In addition the ongoing difficulties with part of the refurbishment of the Windscale Laboratory have restricted operations, impacting both revenue and margins. Revenue growth was however achieved with a number of customers leading to an increase in underlying business of 11%.

Revenue

	2014 £m	2013 £m	Change %
Underlying business	**85.4**	77.6	+11
Central Laboratory Phase 2 commissioning project (note 1)	**0**	9.3	-100
Total	**85.4**	86.9	-2

Note 1
The Central Laboratory Phase 2 commissioning project is backed by a contract with Sellafield Ltd who will utilise a large proportion of the capacity of the facility once commissioning is complete. As a result of these arrangements the project is accounted for as a construction contract in accordance with IAS 11.

Revenue on the Central Laboratory Phase 2 commissioning project is recognised by multiplying the total contract value by the percentage of the work completed. The percentage of work completed is assessed on the basis of proportion of total expected costs actually incurred. A number of issues were identified during the year which led to an increase in the total expected cost. Although the project continued to progress towards completion during the year, the increase in actual costs was matched by a proportionate increase in the total expected costs resulting in no further increase in the percentage of work completed. On this basis, although the project remains profitable no further revenue has been recognised this year.

There has been little change in the major customers in the year, the main ones again being Sellafield Ltd, EDF Energy LTD, Springfield Fuels Ltd, the Ministry of Defence and the Nuclear Decommissioning Authority.

Operating costs

Total operating costs have decreased by £0.7m. The incentive fees paid to the managing contractor (SBM) in 2013/14 are £1.1m lower than the prior year, as a result of the GOCO contract ending on 30 September 2013. Staff costs have increased significantly year on year but most of this increase is driven by the demand from capital investment projects.

Profits and dividends

	2014 £m	2013 £m	Change %
Underlying profits	**8.7**	10.3	–16
Managing contractor (SBM) incentive fee	**(0.6)**	(1.6)	+63
EBIT (profit from operations)	**8.1**	8.7	–7

Costs were closely managed in order to maintain operating margins, however underlying profits were impacted by the issues with the Central Laboratory Phase 2 commissioning project and Windscale Laboratory refurbishment resulting in a reduction of 16%. This was partially offset by the saving in the year on the managing contractor's (SBM's) incentive fee, which reduced by £1.1m largely as a result of the management contract ending on 30 September 2013, leaving EBIT 7% below 2013 performance.

The Statement of Comprehensive Income is set out on page 30 and shows the profit for the period.

Fixed assets

To achieve its mission of delivering the best nuclear science and technology solutions, NNL continues to invest in its long-term future; £21.7m was invested in fixed assets in the year. The principal investments were:

- Enhancements to the Windscale Laboratory £9.5m
- Enhancements to the Central Laboratory in Phase 3 £4.9m
- Establishment of a Nuclear Fuel Centre of Excellence £5.5m

The enhancements to the Central Laboratory in Phase 3 and the establishment of a Nuclear Fuel Centre of Excellence were both funded by government grants. The enhancements to the Windscale Laboratory were partially funded by a grant from the NDA.

£21.7m
Invested in fixed assets in the year

To achieve its mission of delivering the best nuclear science and technology solutions, NNL continues to invest in its long-term future.

Other non-current assets and liabilities

Intangible Assets are comprised principally of a £2.6m service concession asset – this is the value attributable to NNL's right to use some capacity in Phase 2 of the Central Laboratory which is being commissioned primarily for Sellafield Ltd's use. The amount is expected to be recovered from future work to be undertaken for third parties.

The trade and other receivables balance of £12.6m represents amounts due for construction activities in Phase 2 at Central Laboratory.

Trade and other payables of £29.9m mainly represent capital grants received and receivable in respect of the investment programs described earlier. This balance also includes a loan of £4.2m from NNL (Holdings) Ltd which is supporting the laboratory investments.

Current assets and liabilities

Trade receivables have increased £10.4m since 2013 which is attributable to timing of work during the year – a number of programmes on which work had been in progress for much of the year were only invoiced in quarter 4. Other receivables have increased £7.8m since last year due to grants related to the capital investment programme which had not been received at the balance sheet date.

Trade and other payables have increased £5.6m, principally as a result of a capital grant payable to Manchester University and an increase in trade accruals.

Cash at bank at 31 March stood at £13.1m.

Treasury management

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

NNL does not have significant foreign currency transactions; in the main foreign exchange gains and losses are accounted for as they are incurred. However, for significant foreign contracts, NNL policy is to hedge against specific foreign currency risk. At 31 March 2014, NNL had minimal currency exposures (2013 – negligible).

Credit risk

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

Cashflow risk

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

Supplier payments

It is NNL's policy to follow 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 those terms. 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.

Events after the reporting period

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

Future outlook

In response to the NIS, NNL's vision and mission has been restated to give particular emphasis to its role in supporting UK national programmes across the civil sector. New strategic objectives have also been agreed with stakeholders to enable NNL to evolve into a true National Laboratory and the principal R&D delivery organisation for national nuclear programmes.

Overall drivers for NNL include the objective to support the UK's strategic nuclear research and development requirements and operate supporting facilities. NNL will lead and integrate technology programmes and provide advice to Government in support of nuclear policy. As a major priority, NNL will identify, safeguard and enhance key nuclear scientific skills and facilities and develop a technology skills pipeline into industry.

NNL's new strategic objectives encompass and coordinate strategies to develop its role supporting the UK nuclear agenda, business development, science and technology, people, and facilities. Surpluses generated through commercial work will be reinvested in national programmes. Commercial success is a prerequisite to generate the surpluses that allow such reinvestment.

Delivery of the new strategic objectives will require: significant revenue growth, all facilities commissioned and fully utilised, and new contracts in place with key customers including Government. NNL will also support NIRAB/NIRO to secure funding for the Nuclear Energy National R&D Programme and aims to position itself as the lead R&D provider to NIRO.

Existing customers constitute the principal growth drivers, in particular Sellafield Limited, MoD and EDF Energy. NNL's current key contract with Sellafield Limited will expire at the end of March 2015 and therefore must be renewed in the near future. NNL is working with Sellafield, the NDA and Government to optimise the arrangements for NNL to support Sellafield into the future. Growth is also projected in new markets. NNL's market strategy focuses on higher growth sectors where NNL is differentiated.

NNL will deliver its new mission through establishment of further Centres of Excellence (CoE) in national programme areas. NNL aims to re-define its relationships with key customers as partners in these CoE's. In order to initiate and lead National R&D Programmes, NNL will establish a portfolio of relevant, self funded National Programme R&D work.

Risks and uncertainties

The Directors are confident with regard to the future of the business. Nonetheless, risks and uncertainties do exist which could adversely impact future financial performance. The principal risks arising from NNL's operations and how NNL manages these risks are set out in the table below.

Risk description	Impact	Management actions to reduce risk
Nuclear accident	Depending on location and severity, could result in local access constraints; additional cost burden; loss of confidence in nuclear power generally and hence reduced market size; loss of key facility; loss of reputation	• Participation in wider nuclear safety community, sharing best practice and learning from experience • Development and testing of business continuity arrangements • Actions to improve safety culture
Significant health and safety, security, environmental or quality event	Loss of key employee and/or facility, loss of reputation, loss of revenue, increased costs or regulatory action depending on event	• Reinforce safety, security, environmental and quality culture and compliance • Introduce specific programmes to target any areas of concern
Reduced scope of work under any replacement Sellafield contract (due for renewal by March 2015), or significant funding cuts by the Government / Nuclear Decommissioning Agency resulting in reduction in market size or competitive pressures increasing	Significant loss of revenues from core customers	• Work with Sellafield, the NDA and Government to optimise the arrangements for NNL to support Sellafield into the future • Position NNL's services into areas with high priority government funding • Pursue additional non-government funded work • Develop markets and offerings to expand customer base
Windscale Laboratory unavailable due to unreliability	Loss of revenues and loss of reputation	• Effectively manage delivery of Windscale Laboratory refurbishment programme • Implement mitigation actions to minimise impact of building improvements on customer programmes • Effectively manage stakeholder relationships

14 million hours

Worked without a lost time accident

Zero

RIDDOR reportable events during 2013/14

In order to ensure that NNL maintains a high level of health and safety performance and enhances its security and quality performance we are continuously looking at ways to improve our cultures.

Sustainability report

By the end of the year, we had worked for nearly 4 years and over 6 million hours since the last NNL Days Away Case and 9 years/13.9 million hours since the last Lost Time Accident. This is a tremendous performance of which we are justifiably proud.

We also reported no RIDDOR (Reporting of Injuries Diseases and Dangerous Occurrences Regulations 1995, amended) reportable events during 2013/14 and nor have there been any "significant events" during the year.

For reasons explained below NNL has seen a significant increase in the numbers of more minor events being reported across the business – around 200 more such events than the previous year. This is attributed mainly to an increased focus on the security and quality cultures with the organisation, bringing them into line with our safety culture. We firmly believe that by reporting – and acting upon – these more minor events, we help to prevent more significant occurrences.

Similarly, we saw an increase in "near misses" during the year (from four to nine), although three of these were attributable in some way to the extreme weather conditions experienced during the winter.

As a result of this vigilance, we were delighted to hear in the spring of 2014 that NNL had won the prestigious RoSPA (Royal Society for the Prevention of Accidents) R&D Sector award for 2014. NNL has now won the sector award eight times, alongside three Highly Commended awards, in the last 11 years.

In order to ensure that NNL maintains a high level of health and safety performance and enhances its security and quality performance we are continuously looking at ways to improve our cultures. Specific programmes will be launched in the coming year around security together with the adoption of leading indicators across all areas to help anticipate and manage trends in performance.

On environmental matters, NNL continues to demonstrate strong performance across all key aspects. Compliance with environmental permits and authorisations across all facilities was maintained. Waste management procedures remained robust with no reported events arising from NNL waste streams. This represents a continuation of the good performance levels achieved during the last five years and beyond.

We recorded six minor environmental events during the year, primarily minor spills or leaks, all of which were controlled and managed internally with no significant or lasting consequences. This was the lowest total in the last four years. Finally, but importantly, the year also included re-certification to ISO 14001 (Environmental Management System) following completion of the three year assessment and review cycle.

Our people

Within NNL we continue to provide learning and development opportunities for all of our staff. The opportunities we now have for growing the business make the development and retention of our staff an even higher priority than previously. We have extensive work ongoing to develop both the technical skills to support nuclear R&D in the future as well as developing the other skills of our people, including behavioural skills.

A dedicated Learning & Development directory has been launched and internal development programmes such as our 'Emerging Leaders' and 'Technical Excellence' programmes have been well received. These programmes sit alongside our well-established graduate development programme and our newly created apprentice programme. Our increased focus on developing our leaders has continued with significant investment in leadership training.

We continue to see an encouraging improvement in the level of employee engagement, which was one focus of the 'Great Place to Work' strand of NNL's Fit For the Future transformation programme. That work has delivered some significant positive changes, including improvements in the following areas:

- The manner in which NNL views its service to customers
- 'Open and transparent' communication
- Quantity and quality of discussions regarding each individuals' development plans and career path
- A re-launched learning and development process including the 'Career Pathways' tool.

The results are used to focus on further improvement in areas such as rewarding and recognising contribution and in raising the profile of our senior leaders across the organisation.

We continue to see an improvement in the levels of sickness absence among employees. In 2013/14 an average of 3.26 days per employee were lost to sickness (down from 3.58 in 2012/13). This compares very favourably with an average of 7.6 days lost per employee in the UK and 8.7 days across the public sector. Employee absence is always carefully monitored and return to work interviews carried out by managers to ensure appropriate support or adjustments can be offered.

NNL remains committed to a policy of equal opportunities for all employees, and great care is exercised in our recruitment and selection procedures with training given to all managers to ensure that there is no discrimination. Whilst we do not discriminate in recruitment, we have been actively supporting a number of schemes to encourage more girls and women to consider studying science, technology, engineering and maths (STEM) subjects, and to consider the nuclear industry as a potential career option. NNL is strongly represented in the newly-formed UK Women in Nuclear group.

Employee recognition

We were delighted that NNL Research Fellow Dr Dominic Rhodes was appointed MBE for his services to Science in the 2014 New Year's Honours list.

3.26 days

Per employee were lost to sickness (down from 3.58 in 2012/13)

This compares very favourably with an average of 7.6 days lost per employee in the UK and 8.7 days across the public sector.

80

New recruits taken on during 2013/14

At the end of 2013/14 we had a total of 28 apprentices in the business.

Our communities and customers

During the year, we have strengthened our focus on Corporate Social Responsibility (CSR) work as this becomes a key element of the way we do business under NNL's new remit.

We have developed a more structured way of assessing and responding to requests for support, with a strong focus on STEM activities and on helping the communities where we are based and where our staff live. Our increasing public profile means we continue to receive more requests for support than ever before and we are careful to ensure that we balance the way we contribute across a range of activities and locations.

During the year we funded over 2000 hours of our employees' time for CSR work, and we know that this was exceeded substantially by the contributions that employees made in their own time. Some highlights are listed below:

- We worked once again with the well-respected Smallpeice Trust, running seven courses through the year.
- We led a group of Cumbrian companies offering STEM activities to thousands of young people as part of the Whitehaven Festival.
- We were once again actively involved in the Engineering Education Scheme.
- We took two sixth-formers into NNL for a week in February as part of the "Dream Placement" scheme.
- We have supported local schools with numerous visits and events.

Building on this success, we committed to sponsor both the Cheshire Science Festival and the Lancashire Science Festival during 2014/15, and to participate actively in both events. We will also be present at the Cheltenham Science Festival and the Farnborough Airshow, amongst many other events.

We hosted around 12 summer student placements and around 35 work experience places during 2013/14, all aimed at giving young people an insight into what it is like to work in the nuclear industry and to demonstrate the range of opportunities offered by the sector.

We took on a total of 80 new recruits during 2013/14, including 18 graduates and eight apprentices. At the end of 2013/14 we had a total of 28 apprentices in the business.

Our Directors

The Directors of NNL during the year were:	
Richard Maudslay CBE FREng	Chairman
Peter Jones FCCA (Resigned 31/07/2014)	Non-Executive Director
Ian Smale (Resigned 31/12/2013)	Non-Executive Director
Craig Lester (Appointed 18/03/2014)	Non-Executive Director
Paul Howarth	Managing Director
David Healey FCCA	Finance Director
Since the year end and prior to the signing of the financial statements the following Directors were appointed:	
Mike Weightman CBE (Appointed 08/08/2014)	Non-Executive Director
Sir Andrew Mathews KCB (Appointed 05/08/2014)	Non-Executive Director
Iain Lanaghan (Appointed 12/08/2014)	Non-Executive Director

Paul Howarth
Paul was appointed as Managing Director of the National Nuclear Laboratory on 1 January 2011. A Technology Director with a track record of establishing and delivering multi-million pound nuclear energy programmes, Paul has a wide understanding and appreciation of the varied drivers in the academic and business worlds. Paul has run large groups and extensive portfolios in both environments and engaged with senior stakeholders across Government, academia and industry. He has a strong knowledge of the research affairs of national and international nuclear organisations.

Paul co-founded the Dalton Nuclear Institute at the University of Manchester. He worked with BNFL, the North-West Development Agency (NWDA) and the University of Manchester to formulate and agree the case for the Institute. Prior to working at the University, Paul spent 11 years with the BNFL Group. He joined Research and Technology (NNL's predecessor) in 1998 and progressed from Commercial Manager to Head of Technology for Nuclear Generation. From there, he eventually made the step up to Programme Director for Advanced Reactors and Head of Group Science and Skills Strategy.

David Healey
David was appointed Financial and Commercial Director on 3 April 2009. An experienced Financial and Commercial Director, David has more than 20 years' experience spanning a number of different companies and industries. Most recently, David has been a Commercial Director within Serco's Defence, Science and Technology division. Here, he was the Deputy Financial and Commercial Lead on the £5bn Search and Rescue Helicopter competitive dialogue PFI bid. David's was also the financial and commercial lead on the successful SBM bid to run the NNL.

David's previous experience covers many industry sectors both in the UK and internationally, managing the finances and commercial aspects of businesses with revenues in excess of £50m and achieving considerable cost savings during periods of business restructuring.

David is a Fellow of the Chartered Association of Certified Accountants.

Richard Maudslay CBE
Richard was appointed Chairman on 18 May 2009. Much of his career had been in the power engineering sector, including seven years as the Managing Director of NEI Parsons Ltd, prior to its merging with Rolls-Royce. At Rolls-Royce, for five years Richard was the Managing Director of their Industrial Power Group and a Main Board Director. There, he led Rolls-Royce's exit from large steam power generation and prepared other parts of the Group for sale. Since 1998, Richard has held a range of Non-Executive Chair and Director roles with publicly listed, privately owned and government owned businesses. These have included a Ministerial appointment to Chair of DSTL (MoD's Defence Science and Technology Laboratory) between 2005 and 2008, during a time of considerable change. His involvement with government also includes being a member of the DTI Enterprise and Business Group Board (2002 – 2007) and Chair of the North East Science and Industry Council (2004 – 2008).

Craig Lester
Craig currently works at the Shareholder Executive (part of BIS) and is the Government's non-executive shareholder representative on the Board of the National Nuclear Laboratory, as well as being a Non-Executive Director of Ordnance Survey. During the year, he stepped down from the Board at Companies House.

Before that he led the Shareholder Executive's Nuclear Decommissioning Authority team and has had a varied career across the public sector, including senior policy, operational and delivery roles in HM Treasury and HMRC. He also spent three years as Director of Client Development at the Valuation Office Agency leading their fee-earning property work.

Mike Weightman
After graduating Mike worked for 13 years in the nuclear industry before joining the Nuclear Installations Inspectorate, part of HSE's Nuclear Safety Directorate. He progressed through the ranks and held a variety posts covering the whole of the nuclear industry. In 2013, Mike retired from his post of HM Chief Inspector of Nuclear Installations and CEO of the Office for Nuclear Regulation.

As part of his career in HSE, Mike led the independent investigation into the Potters Bar rail disaster, brought together the regulation of nuclear safety, security and safeguards, prepared the nuclear regulator for new nuclear build and drove forward the Office for Nuclear Regulation toward independent operation as a statutory corporation.

He is well known internationally having been the Chair of the OECD Nuclear Energy Agency's Committee on Nuclear Regulatory Activities, 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.

Mike continues to be active in the nuclear field as:

- A Non-Executive Director for the UK National Nuclear Laboratory;
- An independent international advisor to the Japanese Nuclear Regulation Authority;
- A visiting Professor at Cambridge University Engineering Department;
- Consultant to the NEA and IAEA;
- Independent Advisor to several engineering companies, and undertaking various projects including evaluating the Finnish SAFIR nuclear research programme on behalf of the Finnish Government.

He is a Fellow of the Royal Academy of Engineering, Institute of Physics, and Institute of Mining Minerals and Materials. In 2013 he was made a Companion of the Order of the Bath for his services to nuclear safety.

Andrew Mathews
Andrew Mathews joined the Royal Navy straight from Newcastle Royal Grammar School in 1976. Initial training at Dartmouth, was followed by an engineering degree at the Royal Naval Engineering College Manadon and nuclear training.

Andrew joined his first nuclear submarine, HMS Turbulent, building in Barrow in Furness in 1983. Further sea appointments included the Marine Engineer Officer (MEO) of HMS Trenchant, the Navy's then newest submarine, and MEO to Captain Submarine Sea Training; responsible for submarine safety training and nuclear watch keeping standards across the RN's submarine flotilla.

Sea appointments were sandwiched between shore jobs in submarine support and acquisition and courses which included an MSc in nuclear reactor design and a two year period working on the design of the Navy's next generation of PWR. Promoted Commodore in 2002 as Naval Base Commander Devonport, he was responsible for the operation and management of the largest naval base in Europe; providing support to both nuclear submarines and surface ships.

In 2005, Andrew was promoted to Rear Admiral and appointed as Director General Nuclear and Submarines running the RN's nuclear submarine and weapons programme and being responsible for nuclear safety across the entire MoD nuclear programme. During this time, he also served on the Navy Board as Controller of the Navy and oversaw the start of the new programme to replace the Vanguard Class deterrent submarines.

Promoted to Vice Admiral in 2009 and appointed as Chief of Materiel Fleet, he managed the RN's support and acquisition programme for all ships and submarines and was responsible for the operation of the RN's 3 naval bases. With over 4500 people and a budget of £5.4 billion pa, the post included both Defence Equipment and Support Main Board and Navy Board membership and chairmanship of the DE&S Safety Board.

Appointed CB in 2008 and promoted KCB in 2013, Andrew retired from the Royal Navy in March 2014. He is a Non-Executive Director for the National Nuclear Laboratory. Married to Beverley, with two grown up children, he spends his time restoring a house in Cornwall and rediscovering its garden and also tries to find time to sail and cycle.

Iain Lanaghan
Iain Lanaghan joined the NNL Board as a Non-Executive Director and Chairman of the Audit Committee in July 2014.

He is building a balanced portfolio of non-executive directorships. He has over 30 years experience as a Chief Financial Officer of both listed and private equity backed companies. He has specialised in growing, commercialising and financing international companies.

He is founder and Non-Executive Chairman of Metropolitan European Transport Ltd, a buy-and-build transport group operating in Germany. The group has grown from a start-up in 2011 to turnover of over €30m. He is a Non-Executive Director and Chairman of the Audit Committee of Northern Petroleum plc. He also advises other companies, particularly in the energy sector.

He was Group Finance Director of FTSE 250 FirstGroup plc and AIM listed Faroe Petroleum plc. He co-founded and was CFO of Abellio GmbH. He prepared private equity backed Atlantic Power for IPO prior to a successful trade exit. He was also Finance Director of PowerGen International, which grew from a start-up to $7bn of operated projects.

He is a member of the Institute of Chartered Accountants of Scotland, having worked with KPMG in London and Frankfurt.

Directors' remuneration report

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

The total remuneration of the Executive Directors was as follows:

	2014 Number	2013 Number
£150,001 – £175,000	1	1
£175,001 – £200,000	–	–
£200,001 – £225,000	–	–
£225,001 – £250,000	1	–
£250,001 – £275,000	–	1

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

No employees received remuneration in excess of the highest paid Director. The remuneration of the highest paid Director was 4.7 times the average remuneration of the workforce.

For the period to September 2013 none of the Executive Directors were employed by NNL, they were each employed directly by members of the managing consortium (Serco, University of Manchester, Battelle). The figures above include the amounts paid to the consortium partners in respect of the salary, annual bonuses, benefits in kind and pension contributions of the Executive Directors.

Since October 2013 David Healey has been employed directly by NNL and the services of Paul Howarth have been contracted from Battelle. The figures for Paul Howarth above include the amounts paid to Battelle in respect of his salary, annual bonuses, benefits in kind and pension contributions.

Governance statement

Purpose of the governance statement

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

Governance framework

The Department of Energy and Climate Change (DECC) is the owner of the National Nuclear Laboratory Limited (NNL). DECC manages its ownership through the Shareholder Executive (ShEx), an executive agency within the department for Business Innovation and Skills (BIS). ShEx advises DECC ministers on the management of the Government's interest in NNL and a ShEx 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 safe-guarding NNL's assets.

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

Board and its committees

The Board of Directors currently comprises of a Non-Executive Chairman, five Non-Executive Directors (three of whom were appointed after 31 March 2014 as indicated below, and whose attendance at meetings during the year is therefore not shown) and two Executive Directors (the Managing Director and the Finance and Commercial Director). The Board met six times in 2013-14 (2012-13 six times).

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

Name	Position	Board	Audit Committee	Remuneration Committee
Richard Maudslay	Non-Executive Chairman	6	3	3
Ian Smale (resigned 31 December 2013)	Non-Executive Director	4/4	2/2	2/2
Peter Jones (resigned 31 July 2014)	Non-Executive Director	6	3	3
Craig Lester (appointed 18 March 2014)	Non-Executive Director	1/1	1/1	–
Paul Howarth	Managing Director	6	–	–
David Healey	Finance and Commercial Director	6	–	–
Number of meetings		6	3	3

Mike Weightman, Andrew Mathews and Iain Lanaghan were appointed to the Board after NNL's year end.

The role of the Board

The role of the Board is to provide entrepreneurial 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, and ensures the financial and human resources are in place for NNL to meet its objectives and review 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 roles and responsibilities of the Board include:

- Setting NNL's strategic aims;
- Approval of the annual corporate plan and five year plans;
- Oversight of the corporate risk register and internal control systems;
- Oversight of business performance;
- Approval of major contracts and capital expenditure;
- Development of remuneration systems for Executive Directors, including performance related pay;
- Approval of Senior Executive appointments or, where appropriate, recommendation of appointments to ShEx;
- Performance appraisal of Executive Management plus succession planning;
- Scrutiny of financial accounts through the Audit Committee of the Board;
- Compliance with statutory requirements and UK Corporate Governance Code guidelines;
- Annual evaluation of its performance and that of its committees.

Governance statement
continued

Board and its committees continued

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

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

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

Audit Committee

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

The Audit Committee comprises of three independent Non-Executive Directors and is chaired by a Non-Executive Director, currently Peter Jones. The Committee invites the Managing Director, the Finance and Commercial Director and senior representatives of both the internal and external auditors to attend meetings as and when appropriate.

The Committee met three times in 2013-14 and will meet at least four times each year from 2014-15 onwards.

Remuneration Committee

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

The Committee is made up of all Non-Executive Directors and is chaired by the Board Chairman. The Committee invites the Managing Director, the Finance and Commercial Director and the People Services Director 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 2013-14 and will meet at least once each year in future.

Executive Leadership Team

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

The roles and responsibilities of the Executive Leadership Team include:

- Implementation of the strategic plan and efficient operation of the business;
- Development and subsequent implementation of a long-term strategy in conjunction with the Board;
- Development of an annual business plan for approval by the Board;
- Approval of all capital expenditure and major contracts not requiring Board approval;
- Preparation of a risk register and subsequent reviews and mitigating actions;
- Development of performance improvement programmes;
- Establishment, maintenance and development of operating procedures;
- Working with the Remuneration Committee to develop remuneration systems for staff, including performance related pay.

Risk management

Under the guidance of the Board and Audit Committee, NNL's risk management process is undertaken by the Executive Management Team and focuses on the identification and management of the key risks which could impact on the achievement of NNL's policies, aims and strategic objectives.

As part of its oversight process, the Board undertakes a review of risk management at least annually and has input into the broader risk management of NNL.

NNL is in the process of updating its risk management process. The new process will enshrine risk and opportunity management as part of all management reviews held within NNL to ensure that:

- Risks to the achievement of business objectives, from strategic to operational level, are proactively identified, categorised and prioritised in a consistent manner throughout the business;
- Actions to mitigate all identified risks to acceptable levels are designed, assigned an owner, implemented and reviewed for effectiveness;
- Sources of assurance over the actions taken to mitigate the identified risks are catalogued and reviewed for effectiveness;
- All risks are evaluated for potential impact, likelihood and proximity, and this evaluation is regularly reviewed to ensure the level of risk remains acceptable to the business;
- The performance of the overall risk management process is kept under review to ensure it is aligned to the business planning process, working effectively and adding value to the business;
- Adequate business continuity and disaster recovery is maintained through the maintenance and testing of detailed plans;
- An independent internal team supplies additional assurance over the risk and internal control environment. The team gives particular focus to those areas considered to be of higher inherent or unmitigated risk.

Internal control

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

Report of the Directors

Directors report and financial statements

The Directors present their report together with the audited financial statements for the year ended 31 March 2014.

Directors

The Directors of the Company during the year were:

Richard Maudslay CBE FREng	Chairman
Peter Jones FCCA (Resigned 31/7/2014)	Non-Executive Director
Ian Smale (Resigned 31/12/2013)	Non-Executive Director
Craig Lester (Appointed 18/03/2014)	Non-Executive Director
Paul Howarth	Managing Director
David Healey FCCA	Finance Director

Directors' responsibilities

The Directors are responsible for preparing the strategic report, 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 (2013 – £nil).

Support for people with disabilities

Job applicants and Company employees with disabilities will have the same consideration for job vacancies as any other candidates. The Company is committed to a policy of equal opportunities for all employees. Great care is exercised in our recruitment and selection procedures to ensure that there is no discrimination and that training is given to meet individual needs. Applications by people with disabilities are given full and fair consideration and wherever practical, provision is made for their special needs. The same criteria for training and promotion apply to people with disabilities as to any other employee. If an employee becomes disabled, every effort is made to ensure their continued employment. Reasonable adjustments to the workplace and to working methods will be made wherever it is reasonable and practicable to do so. People with disabilities will have the same scope to realise their potential and the same prospects as any other employees. Managers are encouraged, and have the authority, to respond to the needs of people with disabilities including adjusting working hours or responsibilities. Currently the Company employs two people with significant physical impairment (2013 – 2) and a number of people on workplace adjustments.

Employee involvement

It is the Company's policy to encourage employee involvement as the Directors consider that this is essential for the successful running of the business. The Company keeps employees informed of performance, developments and progress by way of an intranet, e-communications, news letters and briefing sessions. Employees are represented by trade unions which ensures their involvement and participation in policies and practices.

Charitable and political contributions

During the period, a total of £28,931 was made in charitable donations to support community projects and for charities promoting Science, Technology, Engineering and Mathematics (STEM) subjects (2013 – £28,633). Also during the period, a total of £76,861 of internal time was spent on corporate responsibility projects (2013 – £47,288). The increased expenditure is recognition of NNL's national role in underpinning STEM activities.

The Company has a policy on not making political donations and consequently there were no political donations during the period (2013 – £nil).

Insurance

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

Auditors

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 the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

David Dukes
Secretary

Directors

Richard Maudslay CBE FREng	Chairman
Craig Lester	Non-Executive Director
Mike Weighman CBE	Non-Executive Director
Sir Andrew Mathews KCB	Non-Executive Director
Iain Lanaghan	Non-Executive Director
Paul Howarth	Managing Director
David Healey FCCA	Finance Director

Secretary
David Dukes

Registered office
Chadwick House
Birchwood Park
Warrington
Cheshire WA3 6AE

Independent auditors
BDO LLP
3 Hardman Street
Spinningfields
Manchester M3 3AT

Independent auditor's report
to the members of National Nuclear Laboratory Limited

We have audited the financial statements of National Nuclear Laboratory Limited for the year ended 31 March 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the following sections; strategic report, sustainability report, our people, our communities and customers, our Directors, Directors' remuneration report and governance statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 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.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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.

Philip Storer (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester, United Kingdom

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 2014

	Note	2014 £'000	Restated* 2013 £'000
Revenue	2	85,422	86,879
Cost of sales		(63,132)	(63,921)
Gross profit		22,290	22,958
Administrative expenses		(14,428)	(14,284)
Profit from operations	3	7,862	8,674
Finance income	6	1,039	589
Finance expense	6	(801)	(572)
Profit before tax		8,100	8,691
Tax receivable	7	1,931	–
Profit for the year		10,031	8,691
Other comprehensive losses			
Actuarial gains/(losses) in defined benefit pension schemes	22	418	(1,237)
Change in irrecoverable surplus, effect of limit in para 58(b)	22	–	94
Total other comprehensive income/(losses)		418	(1,143)
Total comprehensive income		10,449	7,548

* The restatement in relation to the year ended 31 March 2013 is explained in note 1

Statement of Financial Position
for the year ended 31 March 2014

	Note	2014 £'000	2014 £'000	Restated* 2013 £'000	Restated* 2013 £'000
Assets					
Non-current assets					
Property, plant and equipment	9	35,280		14,608	
Intangible assets	10	2,841		3,011	
Investments	11	1		1	
Trade and other receivables	13	12,652		12,379	
Total non-current assets			50,774		29,999
Current assets					
Inventories	12	–		1	
Trade and other receivables	13	40,088		19,112	
Cash and cash equivalents	14	13,065		14,068	
Total current assets			53,153		33,181
Total assets			103,927		63,180
Equity and liabilities					
Equity					
Share capital	19	25		25	
Retained earnings	20	29,752		19,303	
Capital and reserves attributable to equity holders of the Company			29,777		19,328
Non-current liabilities					
Trade and other payables	15	29,882		4,435	
Provisions	16	10,220		9,623	
Retirement benefit obligations	22	400		1,190	
Total non-current liabilities			40,502		15,248
Current liabilities					
Trade and other payables	15	32,162		26,382	
Provisions	16	1,486		2,222	
Total current liabilities			33,648		28,604
Total liabilities			74,150		43,852
Total equity and liabilities			103,927		63,180

* The restatement in relation to the year ended 31 March 2013 is explained in note 1

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

David Healey
Finance Director

Statement of Cash Flows
for the year ended 31 March 2014

	Note	2014 £'000	2014 £'000	Restated* 2013 £'000	Restated* 2013 £'000
Cash flows from operating activities					
Profit before tax		**8,100**		8,691	
Adjustments for:					
Depreciation	3	**1,028**		572	
Amortisation	3	**219**		225	
Non-cash movements relating to share of defined benefit pension scheme obligations	22	**418**		(1,143)	
Interest receivable	6	**(1,039)**		(583)	
Cash flows from operating profit before changes in working capital and provisions			**8,726**		7,762
Increase in trade and other receivables		**(21,249)**		(6,714)	
Decrease in inventories		**1**		7	
Increase in trade and other payables		**26,437**		8,462	
Decrease in provisions		**(139)**		(742)	
Total changes in working capital and provisions			**5,050**		1,013
Cash generated by operations			**13,776**		8,775
Income taxes receivable	7		**1,931**		–
Net cash flows from operations			**15,707**		8,775
Investing activities					
Purchases of property, plant and equipment	9	**(21,700)**		(11,560)	
Purchases of intangible assets	10	**(49)**		(1,889)	
Joint venture	11	**–**		20	
Cash flows from investing activities			**(21,749)**		(13,429)
Financing activities					
Interest received	6	**1,039**		583	
Loans received from group undertakings		**4,000**		–	
Cash inflows from financing activities			**5,039**		583
Net decrease in cash and cash equivalents			**(1,003)**		(4,071)
Cash and cash equivalents at beginning of the year	14		**14,068**		18,139
Cash and cash equivalents at end of the year	14		**13,065**		14,068

* The restatement in relation to the year ended 31 March 2013 is explained in note 1

Statement of Changes in Equity
for the year ended 31 March 2014

	Share capital £'000	Restated* retained earnings £'000	Total £'000
At 1 April 2012	25	11,755	11,780
Profit for the year	–	8,691	8,691
Other comprehensive income	–	(1,143)	(1,143)
Total comprehensive income	–	7,548	7,548
At 31 March 2013 and 1 April 2013	25	19,303	19,328
Profit for the year	–	10,031	10,031
Other comprehensive income	–	418	418
Total comprehensive income	–	10,449	10,449
At 31 March 2014	**25**	**29,752**	**29,777**

* The restatement in relation to the year ended 31 March 2013 is explained in note 1

Notes forming part of the financial statements

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:

Basis of preparation
The principal accounting policies adopted in the presentation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

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 the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed below.

The Company 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 the Company 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.

Prior year restatement
The financial statements have been amended to ensure consistency with the current period and thus certain expenses have been reclassified within the financial statements to correctly reflect the underlying nature of the transactions. This adjustment was to transfer revenue expenditure of £680,000 to capital expenditure, recognising this as a non-current asset in the Statement of Financial Position. The capital expenditure was for engineering design work in commissioning our Phase 3 laboratory at Sellafield.

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 the Company 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.

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

1 Accounting policies continued

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

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

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

- the fair value of scheme assets at the Statement of Financial Position date; 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 the Company 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 the Company 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 does not have any defined contribution schemes at present but 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 the annual Parliamentary vote. Her Majesty's Government does not maintain a separate fund. In common with defined benefit pension schemes the Company 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
The Company classifies its financial assets into one of the following categories, depending on the nature of the asset. The Company'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.

Notes forming part of the financial statements
continued

1 Accounting policies continued

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.

Service concessions
The service concession arrangement on Phase 2 works of the 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

Inventories
Inventories comprise of work in progress which is measured at the cost of production. This cost consists primarily of the labour, facility charges and other direct costs of providing the service, including supervisory personnel, and attributable overheads. Labour and other costs relating to sales and general administrative personnel are not included but are recognised as expenses in the period in which they are incurred. The cost of work in progress does not include profit margins or non-attributable overheads.

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 the Company 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.

1 Accounting policies continued

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
The Company classifies its financial liabilities into one of the following categories, depending on the nature of the liability. The Company'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 the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

Notes forming part of the financial statements
continued

1 Accounting policies continued

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

Judgements
(a) Useful lives of intangible and tangible assets
Intangible and tangible assets are amortised or depreciated over their useful lives.

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

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.

Severance
The severance provision relates to severance obligations payable as pensions to employees who left the Company 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.

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 60, five years before they are able to draw their pension at 65. The Company is liable for these pension payments from the age of 60 to 65. The amounts provided are based on best estimates of the anticipated pensions for the employees in questions and will be utilised over the next seven years.

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

Other
These provisions are based on such commercial agreements that are currently in place, and reflect the Directors' understanding of the current Company policy and regulatory framework. This mainly relates to the Post-Operational Clean Out (POCO) costs of plant, equipment and consumables introduced into the Company's laboratory facilities. The Company is responsible for 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 £3.6m relates to POCO (2013 – £3.4m). 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 16.

1 Accounting policies continued

(c) Pension assumptions
The Company'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 22.

The Company 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. As a result on 31 March 2014 £14.6m (2013 – £13.6m) of accrued income was recognised as the Company had completed work in agreed purchase orders before the balance sheet date.

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, which have not had a significant effect on the results or net assets of the group:

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

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

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

- IFRS 9 Financial Instruments
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Recoverable amounts disclosures for non-financial assets (Amendments to IAS 36)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

None of the other new standards, interpretations and amendments, which are effective for periods beginning after 1 April 2013 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

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

The Directors are of the opinion that the Company'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. Sales to overseas customers make up a small proportion of total revenue at £1,298,620 (2013 – £1,730,277).

Notes forming part of the financial statements
continued

3 Profit from operations

	2014 £'000	2013 £'000
This has been arrived at after charging:		
Staff costs (see note 4)	**44,492**	42,000
Managing contractor base fees payable (see note 5)	**230**	716
Managing contractor incentive fees payable (see note 5)	**641**	1,574
Depreciation (see note 9)	**1,028**	572
Amortisation (see note 10)	**219**	225
Research and development expenses	**1,004**	1,157
Operating lease expense:		
– rent	**2,075**	2,087
– other	**146**	153
Auditor's remuneration:		
– audit services	**30**	30
– other services	**54**	53
Foreign exchange loss/(gain) (see note 6)	**69**	(6)

4 Staff costs

	2014 £'000	2013 £'000
Staff costs (including Non-Executive Directors) comprise:		
Wages and salaries	**35,873**	33,941
Social security costs	**3,352**	3,220
Pension costs	**5,033**	4,695
Defined benefit pension cost (note 22)	**234**	144
	44,492	42,000

Further information regarding the pension schemes to which the Company makes contributions is shown in note 22 to the financial statements.

Staff costs have increased compared to 2013, mainly due to a 6.9% increase in the number of staff.

The average number of employees during the period was as follows:

	2014 Number	2013 Number
Scientific, technical, engineering and facilities	**682**	644
Administrative	**103**	90
	785	734

5 Directors' remuneration

	2014 £'000	2013 £'000
Directors' remuneration consist of:		
Emoluments	**163**	95
Amounts paid to third parties in respect of Directors' services	**171**	–
	334	95

The Company was managed by a consortium comprising Serco, Battelle and the University of Manchester up until 30 September 2013. The consortium was paid a management base fee of £229,537 (2013 – £715,759) and incentive fees of £640,660 (2013 – £1,574,239) in accordance with the management contract.

From 1 October 2013, the Company became Government Operated with David Healey joining the Company as a direct employee. Paul Howarth continues to be seconded to the Company under a new agreement with Battelle which was paid a management base fee of £170,853.

There was one Director in the Company's defined benefit scheme to which the Company made contributions for six months of the period.

6 Finance income and expense

	2014 £'000	2013 £'000
Finance income:		
Bank interest receivable	**14**	55
Finance debtor income	**956**	528
Revalorisation on retirement debtor	**69**	–
Foreign exchange gain	**–**	6
	1,039	589
Finance expense:		
Bank charges	**1**	3
Interest payable on loans from group undertakings	**182**	–
Revalorisation on provisions	**549**	569
Foreign exchange loss	**69**	–
	801	572

7 Tax expense

	2014 £'000	2013 £'000
Current tax		
Current tax on profits for the year	**696**	–
Tax reclaimed on research and development	**(2,627)**	–
Total tax repayable	**(1,931)**	–

Notes forming part of the financial statements
continued

7 Tax expense continued

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:

	2014 £'000	2013 £'000
Profit before tax	**8,100**	8,011
Expected tax charge based on the standard rate of corporation tax in the UK of 23% (2013 – 24%)	**1,863**	1,922
Items not deductible for tax purposes	**73**	89
Pension scheme adjustments (IAS 19)	**96**	(297)
Deferred tax asset not provided/(utilised)	**(1,950)**	87
Other timing differences	**1**	–
Tax credits on research and development	**(90)**	(1,801)
Tax reclaimed on research and development	**(1,924)**	–
Current taxation credit for the year	**(1,931)**	–

The Company's tax reclaim for 2014 is £1,924,000 (2013 – £nil). 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. This has also resulted in the de-recognition of deferred tax assets in these financial statements.

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	Restated* Assets in the course of construction £'000	Total £'000
Cost				
At 1 April 2012	2,132	10,918	1,801	14,851
Transfers to intangibles	–	–	(210)	(210)
Additions	1,116	945	9,499	11,560
At 31 March 2013	**3,248**	**11,863**	**11,090**	**26,201**
Accumulated depreciation				
At 1 April 2012	1,857	9,164	–	11,021
Transfers	55	(55)		–
Depreciation charge for the year	159	413	–	572
At 31 March 2013	**2,071**	**9,522**	**–**	**11,593**
Net book value				
At 1 April 2012	275	1,754	1,801	3,830
At 31 March 2013	**1,177**	**2,341**	**11,090**	**14,608**

* The restatement in relation to the year ended 31 March 2013 is explained in note 1

9 Property, plant and equipment continued

	Plant and machinery £'000	Fixtures and fittings £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 April 2013	3,248	11,863	11,090	26,201
Additions	54	–	21,646	21,700
Transfers from assets in course of construction	669	279	(948)	–
Disposals	(243)	(5,629)	–	(5,872)
At 31 March 2014	**3,728**	**6,513**	**31,788**	**42,029**
Accumulated depreciation				
At 1 April 2013	2,071	9,522	–	11,593
Depreciation charge for the year	451	577	–	1,028
Disposals	(243)	(5,629)	–	(5,872)
At 31 March 2014	**2,279**	**4,470**	**–**	**6,749**
Net book value				
At 1 April 2013	1,177	2,341	11,090	14,608
At 31 March 2014	**1,449**	**2,043**	**31,788**	**35,280**

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.

10 Intangible assets

	Computer software £'000	Service concession £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 April 2012	988	857	169	2,014
Additions	134	1,889	76	2,099
At 31 March 2013	**1,122**	**2,746**	**245**	**4,113**
Accumulated amortisation				
At 1 April 2012	877	–	–	877
Amortisation charge for the year	225	–	–	225
At 31 March 2013	**1,102**	**–**	**–**	**1,102**
Net book value				
At 1 April 2012	111	857	169	1,137
At 31 March 2013	**20**	**2,746**	**245**	**3,011**

Notes forming part of the financial statements
continued

10 Intangible assets continued

	Computer software £'000	Service concession £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 April 2013	1,122	2,746	245	4,113
Transfers from assets in course of construction	132	–	(132)	–
Additions	49	–	–	49
Adjustment for prior year overstatement of revenue	–	(176)	–	(176)
At 31 March 2014	**1,303**	**2,570**	**113**	**3,986**
Accumulated amortisation				
At 1 April 2013	1,102	–	–	1,102
Amortisation charge for the year	43	–	–	43
At 31 March 2014	**1,145**	**–**	**–**	**1,145**
Net book value				
At 1 April 2013	20	2,746	245	3,011
At 31 March 2014	**158**	**2,570**	**113**	**2,841**

11 Investments

	Subsidiary £'000	Total £'000
At 31 March 2013	1	1
Addition	–	–
Impairment	–	–
At 31 March 2014	**1**	**1**

Investment in US subsidiary
The Company owns the entire share capital of UK NNL Inc, a Company incorporated in the United States of America. UK NNL Inc did not trade during either the year ended 31 March 2014 or 31 March 2013. The cost of the investment is equal to its carrying value as at 31 March 2014.

12 Inventories

	2014 £'000	2013 £'000
Work in progress	**–**	1

13 Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	**13,729**	3,303
Prepayments and accrued income	**15,108**	14,096
Corporation tax	**1,931**	–
Other receivables	**21,972**	14,092
Total trade and other receivables	**52,740**	31,491
Less: non-current portion – other receivables	**(12,652)**	(12,379)
Current trade and other receivables	**40,088**	19,112

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

	Finance Debtor 2014 £'000	**Other 2014 £'000**	**Total 2014 £'000**	Finance Debtor 2013 £'000	Other 2013 £'000	Total 2013 £'000
1 year	**–**	**–**	**–**	–	–	–
1-2 years	**–**	**240**	**240**	–	2	2
2-5 years	**11,774**	**638**	**12,412**	7,280	243	7,523
Over 5 years	**–**	**–**	**–**	4,187	667	4,854
	11,774	**878**	**12,652**	11,467	912	12,379

The fair value of trade and other receivables classified as loans and receivables approximates to their carrying value at 31 March 2014 and 31 March 2013.

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

	2014 £'000	2013 £'000
Pound Sterling	**51,995**	31,426
US Dollar	**35**	24
Euro	**710**	41
	52,740	31,491

At 31 March 2014 no trade receivables were impaired (2013 – £nil). As at 31 March 2014 trade receivables of £ 3,198,229 (2013 – £1,062,438) were past due but not impaired. These debtor balances have been settled since the year end.

Notes forming part of the financial statements continued

13 Trade and other receivables continued

The ageing of trade receivables are as follows:

	Related parties 2014 £'000	Third parties 2014 £'000	Total 2014 £'000	Related parties 2013 £'000	Third parties 2013 £'000	Total 2013 £'000
Not due	**3,438**	**7,092**	**10,530**	29	2,188	2,217
1-30 days	**2,118**	**187**	**2,305**	254	190	444
31-60 days	**–**	**791**	**791**	–	443	443
61-90 days	**–**	**27**	**27**	(5)	15	10
Over 91 days	**–**	**76**	**76**	97	92	189
	5,556	**8,173**	**13,729**	375	2,928	3,303

All non-current receivables are due within three years of March 2014.

14 Cash and cash equivalents

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

	2014 £'000	2013 £'000
Cash available on demand	**13,065**	14,068

Book values equal fair values at 31 March 2014 and 2013. All day to day banking matters are dealt with by the NatWest Bank, part of the RBS group.

15 Trade and other payables

	2014 £'000	2013 £'000
Payments received on account	**3,464**	6,342
Trade payables	**2,071**	3,157
Amounts due to subsidiary undertakings	**1**	1
Amounts due to group undertakings	**4,182**	–
Taxation and social security	**3,661**	1,625
Accruals and deferred income	**46,165**	19,692
Other payables	**2,500**	–
	62,044	30,817
Less: non-current portion – other payables	**(29,882)**	(4,435)
Current trade and other payables	**32,162**	26,382

15 Trade and other payables continued

The ageing of the trade payables are as follows:

	Related parties 2014 £'000	Third parties 2014 £'000	Total 2014 £'000	Related parties 2013 £'000	Third parties 2013 £'000	Total 2013 £'000
Not due	**–**	**1,864**	**1,864**	10	3,052	3,062
1-30 days	**–**	**80**	**80**	–	2	2
31-60 days	**–**	**–**	**–**	–	90	90
61-90 days	**–**	**124**	**124**	–	–	–
Over 91 days	**–**	**3**	**3**	–	3	3
	–	**2,071**	**2,071**	10	3,147	3,157

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

	2014 £'000	2013 £'000
Pound Sterling	**31,817**	26,382
Norwegian Kronor	**80**	-
US Dollar	**265**	-
	32,162	26,382

Book values equal fair values at 31 March 2014 and 2013.

16 Provisions

	Early retirees £'000	Severance £'000	Loss making contracts £'000	Other £'000	Total £'000
At 1 April 2013	1,303	5,234	1,924	3,384	11,845
Restatement	406	(406)	–	–	–
Reclassification	(142)	142	–	–	–
Charged to profit or loss	31	–	844	665	1,540
Utilised in year	(43)	(696)	(39)	(614)	(1,392)
Revalorisation	53	256	88	152	549
Released in the year	(143)	(25)	(668)	–	(836)
At 31 March 2014	1,465	4,505	2,149	3,587	11,706
At 1 April 2013					
Due within one year or less	–	683	1,496	43	2,222
Due after more than one year	1,303	4,551	428	3,341	9,623
	1,303	5,234	1,924	3,384	11,845
At 31 March 2014					
Due within one year or less	118	478	890	–	1,486
Due after more than one year	1,347	4,027	1,259	3,587	10,220
	1,465	4,505	2,149	3,587	11,706

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

Notes forming part of the financial statements
continued

17 Deferred tax

Due to the carrying amount of assets and liabilities in the Statement of Financial Position differing to their tax base, the Company has a potential deferred tax asset. However the Company does not expect to utilise this deferred tax asset, principally due to the anticipated annual research and development tax credit claims exceeding the expected tax liability on future annual taxable profits.

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

	2014 £'000	2013 £'000
Unused tax losses	–	1,319
Other timing differences	1,512	1,601
Depreciation in excess of capital allowances	(372)	(56)
Deferred tax asset not recognised at 23% (2013 – £24%)	1,140	2,864

18 Financial instruments – risk management

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

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

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

The Company 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 & customer inability to pay
- Liquidity risk – managing the cash flows of NNL effectively

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

Financial risk management objectives
The Company'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. The Company'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 the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Foreign exchange risk management
Foreign currency exposures are limited as the Company's functional currency is Sterling, although a minor proportion of revenue and expenditure is denominated in Euros and US Dollars.

18 Financial instruments – risk management continued

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

	2014 £'000	2013 £'000
Pound Sterling	12,988	13,989
US Dollar	37	33
Euro	40	46
	13,065	14,068

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 the Company's maximum exposure to credit risks was as follows:

	2014 Carrying value £'000	2014 Maximum exposure £'000	2013 Carrying value £'000	2013 Maximum exposure £'000
Cash and cash equivalents	13,065	13,065	14,068	14,068
Trade and other receivables	52,740	52,740	31,491	31,491
Total financial assets	65,805	65,805	45,559	45,559

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. The Company 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 the Company will continue to conduct trade with them.

The following internal procedures are undertaken in order to assess whether the Company 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
The Company'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 the Company's cash requirements to be anticipated.

Notes forming part of the financial statements continued

18 Financial instruments – risk management continued

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

The Company'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 the Company manages as capital from the previous period.

The Board of Directors reviews the Company's capital requirements on a regular basis. Based on this review, the Company 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.

19 Share capital

	Authorised, issued and fully paid			
	2014 Number	2013 Number	**2014 £'000**	2013 £'000
Ordinary shares of £1 each	**25,000**	25,000	**25**	25

20 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Purpose of reserve
Retained earnings	Cumulative net gains and losses recognised in the Statement of Comprehensive Income.

21 Leases

Operating leases
The Company leases all its trading locations.

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

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

	Land and buildings 2014 £'000	Land and buildings 2013 £'000	**Other 2014 £'000**	Other 2013 £'000
Lease cost to expiry:				
Not later than one year	**2,057**	1,968	**125**	125
Between one year and five years	**7,916**	8,666	**83**	150
Later than five years	**18,847**	18,517	**–**	–
	28,820	29,151	**208**	275

22 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 the Company to the scheme and amounts to £4,831,894 (2013 – £4,504,982).

Schemes accounted for as defined benefit
Combined Nuclear Pension Plan (CNPP)
The CNPP is a funded scheme (previously named GPS). Employer contribution rates are 27.6%. The CNPP is accounted for as a defined benefit scheme. A full actuarial valuation on an IAS 19 basis for the Trustees was carried out at 31 March 2013 and updated to 31 March 2014 by a qualified independent actuary. The actuarial assumption for salary increases was 4.3%.

Electricity Supply Pension Scheme (ESPS)
The ESPS is a funded scheme. Employer contribution rates are 29.4%. The ESPS is accounted for as a defined benefit scheme. A full actuarial valuation on an IAS 19 basis for the Trustees was carried out at 31 March 2013 and updated to 31 March 2014 by a qualified independent actuary. The actuarial assumption for salary increases was 4.3%.

Details of the Company's defined benefit schemes are as follows:

	CNPP 2014	**ESPS 2014**	**Total 2014**	CNPP 2013	ESPS 2013	Total 2013
Fair value of scheme assets	**3,381**	**6,859**	**10,240**	3,145	6,288	9,433
Present value of scheme liabilities	**(3,477)**	**(7,163)**	**(10,640)**	(3,504)	(7,119)	(10,623)
Unrecognised asset due to limit in IAS 19 para 58(b)	**–**	**–**	**–**	–	–	–
Deficit in the scheme	**(96)**	**(304)**	**(400)**	(359)	(831)	(1,190)

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:

	CNPP 2014 years	CNPP 2013 years	**ESPS 2014 years**	ESPS 2013 years
Male	**23**	23	**23**	23
Female	**25**	23	**25**	23

The average life expectancy in years of a pensioner retiring at 65, 20 years after the Statement of Financial Position date is as follows:

	CNPP 2014 years	CNPP 2013 years	**ESPS 2014 years**	ESPS 2013 years
Male	**25**	25	**25**	25
Female	**28**	25	**28**	25

Notes forming part of the financial statements continued

22 Retirement benefits continued

	CNPP 2014	CNPP 2013	ESPS 2014	ESPS 2013
Expected increase in pensions-in-payment	**3.3%**	3.3%	**3.3%**	3.3%
Discount rate	**4.5%**	4.4%	**4.5%**	4.4%
Inflation rate	**3.3%**	3.3%	**3.3%**	3.3%

Defined Benefit Obligation trends

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2012	2,681	5,014	7,785
Expected return on plan assets	144	303	447
Employer contributions	75	344	419
Benefits paid	–	(57)	(57)
Contributions by scheme participants	14	24	38
Actual return less expected return on pension scheme assets	231	570	801
At 31 March 2013	3,145	6,288	9,433

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2013	3,145	6,288	9,433
Expected return on plan assets	141	280	421
Employer contributions	263	343	606
Benefits paid	(169)	(246)	(415)
Contributions by scheme participants	9	31	40
Actual return less expected return on pension scheme assets	(8)	163	155
At 31 March 2014	**3,381**	**6,859**	**10,240**

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 2014 and at 31 March 2013 were as follows:

CNPP

	2014 *Expected rate of return	2014 Fair value £'000	2013 Expected rate of return	2013 Fair value £'000
Equities	**6.4%**	**1,202**	6.3%	1,086
Fixed interest gilts	**3.4%**	**–**	3.3%	–
Index-linked gilts	**3.4%**	**798**	3.3%	800
Corporate bonds	**4.5%**	**801**	4.4%	745
Diversified	**6.4%**	**527**	6.3%	458
Other	**0.5%**	**53**	0.5%	56
* Expected returns are limited to the discount rate under IAS19		**3,381**		3,145

22 Retirement benefits continued

ESPS

	2014 *Expected rate of return	2014 Fair value £'000	2013 Expected rate of return	2013 Fair value £'000
Equities	**6.4%**	**1,829**	6.3%	2,206
Properties	**6.4%**	**–**	6.3%	–
Diversified Growth Fund	**6.4%**	**1,622**	6.3%	1,577
Index-linked gilts	**3.4%**	**2,155**	3.3%	1,041
Corporate bonds	**4.5%**	**945**	4.4%	935
Currency	**6.4%**	**308**	6.3%	387
Other	**0.5%**	**–**	0.5%	142
* Expected returns are limited to the discount rate under IAS19		**6,859**		6,288

Reconciliation of plan liabilities

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2012	2,587	5,426	8,103
Interest cost	135	279	414
Current service cost	74	103	177
Benefits paid	–	(57)	(57)
Curtailment loss	–	–	–
Changes in assumptions underlying present value of schemes liabilities	694	1,344	2,038
Contributions by scheme participants	14	24	38
At 31 March 2013	3,504	7,119	10,623

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2013	3,504	7,119	10,623
Interest cost	153	314	467
Current service cost	63	125	188
Benefits paid	(169)	(246)	(415)
Curtailment loss	–	–	–
Changes in assumptions underlying present value of schemes liabilities	(83)	(180)	(263)
Contributions by scheme participants	9	31	40
At 31 March 2014	**3,477**	**7,163**	**10,640**

Defined benefit obligation trends of scheme as a whole as at 31 March 2013

	CNPP £'000	ESPS £'000	Total £'000
Scheme assets	3,145	6,288	9,433
Scheme liabilities	(3,504)	(7,119)	(10,623)
Scheme (deficit)	(359)	(831)	(1,190)

	£'000	£'000	£'000
Experience adjustments on assets	231	570	801
As a % of scheme assets	7.3%	9.1%	8.5%

Notes forming part of the financial statements
continued

22 Retirement benefits continued

Defined benefit obligation trends of scheme as a whole as at 31 March 2014

	CNPP £'000	ESPS £'000	Total £'000
Scheme assets	3,381	6,859	10,240
Scheme liabilities	(3,477)	(7,163)	(10,640)
Scheme (deficit)	(96)	(304)	(400)
	£'000	£'000	£'000
Experience adjustments on assets	(8)	163	155
As a % of scheme assets	(0.2%)	2.4%	1.5%

Movement in overall scheme surplus/(deficit) from 1 April 2012 to 31 March 2013

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2012	–	(322)	(322)
Operating costs	(74)	(103)	(177)
Expected return on pension scheme assets	144	303	447
Interest on pension scheme liabilities	(135)	(279)	(414)
Curtailment gains and losses	–	–	–
Actuarial gains and losses	(463)	(774)	(1,237)
Unrecognised asset due to limit in IAS 19 para 58(b)	94	–	94
Contributions paid	75	344	419
At 31 March 2013	(359)	(831)	(1,190)

Movement in overall scheme surplus/(deficit) from 1 April 2013 to 31 March 2014

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2013	(359)	(831)	(1,190)
Operating costs	(63)	(125)	(188)
Expected return on pension scheme assets	141	280	421
Interest on pension scheme liabilities	(153)	(314)	(467)
Curtailment gains and losses	–	–	–
Actuarial gains and losses	75	343	418
Unrecognised asset due to limit in IAS 19 para 58(b)	–	–	–
Contributions paid	263	343	606
At 31 March 2014	**(96)**	**(304)**	**(400)**

22 Retirement benefits continued

Amounts recognised in the financial statements
Analysis of amounts recognised in the Statement of Financial Position

CNPP

	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Fair value of scheme assets	**3,381**	3,145	2,681	2,396
Present value of scheme liabilities	**(3,477)**	(3,504)	(2,587)	(2,209)
Unrecognised asset due to limit in IAS 19 para 58(b)	**–**	–	(94)	(187)
Net pension liability	**(96)**	(359)	–	–

ESPS

	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Fair value of scheme assets	**6,859**	6,288	5,104	4,569
Present value of scheme liabilities	**(7,163)**	(7,119)	(5,426)	(4,750)
Net pension liability	**(304)**	(831)	(322)	(181)

Total

	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Fair value of scheme assets	**10,240**	9,433	7,785	6,965
Present value of scheme liabilities	**(10,640)**	(10,623)	(8,013)	(6,959)
Unrecognised asset due to limit in IAS 19 para 58(b)	**–**	–	(94)	(187)
Net pension asset	**(400)**	(1,190)	(322)	(181)

Included in administrative expenses

	CNPP 2014	ESPS 2014	Total 2014	CNPP 2013	ESPS 2013	Total 2013
Current service cost	**63**	**125**	**188**	74	103	177
Past service cost	**–**	**–**	**–**	–	–	–
Expected return on plan	**(141)**	**(280)**	**(421)**	(144)	(303)	(447)
Interest cost	**153**	**318**	**467**	135	279	414
Curtailment loss	**–**	**–**	**–**	–	–	–
Defined benefit pension cost	**75**	**159**	**234**	65	79	144

Notes forming part of the financial statements
continued

23 Related party transactions

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

	Sales of goods/services		Amounts owed by related parties		Purchases of goods/services		Amounts owed to related parties	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
MOD	**5,157**	2,992	**1,252**	–	**–**	–	**–**	–
NDA	**6,641**	2,288	**2,504**	240	**–**	–	**–**	–
DECC	**3,585**	2,927	**1,800**	106	**–**	–	**–**	–
SBM	**–**	–	**–**	–	**702**	2,290	**–**	2,290
Serco	**40**	29	**–**	–	**–**	–	**–**	–
University of Manchester	**106**	449	**–**	29	**410**	–	**–**	–
Total	**15,529**	8,685	**5,556**	375	**1,112**	2,290	**–**	2,290

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

SBM is a consortium of Serco, Battelle and University of Manchester which won a competition to manage the NNL under a management contract with the Secretary of State Energy and Climate Change. SBM was related to the Company by virtue of the management contract which entitled SBM to appoint two Directors to the Board. SBM receives a base fee to cover the costs of the staff seconded to manage the NNL. In addition SBM received an incentive fee based on the financial performance of the Company. Separately and subject to a conflicts of interest policy enshrined in the management contract, the Company trades with Serco, Battelle and the University of Manchester. The contract ended on 30 September 2013 and only those transactions prior to this period are included as related transactions. Since the financial year ended 31 March 2014 all of the balances outstanding have been settled by cash.

24 Controlling party

All of the share capital of the Company is owned by its parent, NNL Holdings Limited. NNL Holdings Limited country of incorporation is England and Wales with a registered address of 6th Floor, 1 Victoria Street, London. SW1H 0ET. The results of the Company are consolidated in the group financial statements of NNL Holdings Limited which are publicly available. The entire issued shared capital of NNL Holdings Limited is owned by the Secretary of State for Energy and Climate Change. In the Directors' opinion, the Company's ultimate controlling party is Her Majesty's Government.

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