

Nuclear science to benefit society

National Nuclear Laboratory Limited

Report and Financial Statements

Year ended 31 March 2021

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Country of Incorporation and legal form

NNL Limited is a Limited Company incorporated and domiciled in the United Kingdom.

Directors

Sir Andrew Mathews KCB FREng	Chairman
Paul Howarth FREng	Chief Executive Officer
Clare Barlow	Chief HR Officer
David Beacham	Chief Customer Officer
Matthew Miller	Chief Financial Officer
Fiona Rayment OBE, FREng	Chief Science and Technology Officer
Iain Clarkson	Non-Executive Director
Claire Flint	Non-Executive Director
Stephen Garwood FREng	Non-Executive Director
Anna Payton	Non-Executive Director

Secretary, registered office and principal place of business
David Dukes, Chadwick House, Warrington Road, Birchwood Park, Warrington, WA3 6AE

Company number	3857752
Independent Auditor	PricewaterhouseCoopers LLP, No 1 Spinningfields, 1 Hardman Square, Manchester, M3 3EB

Nuclear science to benefit society

1.1

Purpose

National Nuclear Laboratory Ltd's (NNL)'s financial statements include a strategic report that sets out the business's purpose and objectives as well as highlighting key aspects of our progress and performance during the Financial Year 2020-21.

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

1.2

Our Board



Sir Andrew Mathews
Chairman

Sir Andrew Mathews was appointed as the Chair of NNL on 1st January 2016, having served as a Non-Executive Director on the Board for 18 months prior to that time. He was reappointed for a further three-year term at the end of 2018.

He is a Non-Executive Director of both Devonport Royal Dockyard Ltd and of EDF Energy's NNB GenCo. He retired from the Royal Navy in 2014 as Chief of Materiel Fleet, responsible for the support and acquisition programme for all ships and submarines and for the operation of the Navy's 3 naval bases.

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



Paul Howarth
Chief Executive Officer

Paul has extensive experience in the nuclear industry covering operations, commercial and research portfolios in the UK and also overseas. He has worked with a broad range of stakeholders across government, industry and academia and more recently has worked in the research, technology and innovation sector beyond nuclear.

Paul began his career working on the European Fusion Programme where he completed his PhD in nuclear physics after a first degree in Physics and Astrophysics at the University of Birmingham. He subsequently worked in Japan on technology transfer in the semiconductor industry and on the Japanese nuclear programme. He went on to work for BNFL at numerous locations in the UK and in roles covering technology commercialisation, plant support and policy development, culminating in support to the UK government on the case for new nuclear build in 2007. Paul also co-founded the Dalton Nuclear Institute and worked for the US organisation Battelle alongside US National Laboratories on M&O contract development. In 2009 he was part of the Management & Operations team that was awarded the contract to run NNL.

Currently Paul is Chair of the Association of Innovation, Research and Technology Organisations (AIRTO) and Chair of BHR Group. He holds a professorial position at the University of Manchester in nuclear technology and was elected to become a Fellow of the Royal Academy of Engineering in 2014. He is also a fellow of the Institute of Physics and the Nuclear Institute, holds an MBA and is an alumnus of Harvard Business School.



Clare Barlow
Chief HR Officer

Clare joined us as Chief HR Officer and NNL Board member in June 2018. A strategic HR Director with a background across multiple sectors, Clare came to NNL from BAE Systems, where she spent the previous ten years driving the people agenda as HR Director for the UK and International Combat Air division. Prior to BAE Systems, Clare was Head of HR at Royal Mail and British Airways.

Clare brings with her a wealth of experience spanning both HR and business operational roles, specialising in organisational development, change management and employee relations. Clare is passionate about people and contributing to organisational strategy and has created a compelling vision for our people strategy.

In addition to her NNL role, Clare is a Trustee of Age UK Lancashire and a qualified Executive Coach.



David Beacham
Chief Customer Officer

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

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



Matt Miller
Chief Financial Officer

Matt joined NNL in June 2018 and was appointed as Chief Financial Officer in April 2019. Prior to joining, Matt spent 16 years with BAE Systems where he undertook a number of roles across the business both in the UK and internationally. During this time, he built a broad understanding of working across multiple sectors and customers, recognising the need to adapt to requirements to deliver value to all stakeholders. Through these roles he developed a strong understanding of the financial aspects of running major programmes as well as the governance and controls for divisional and external reporting needs. His latter roles included the Finance Director of the UK Land business and Dreadnought Submarine programme.

Matt is a Fellow with the Chartered Institute of Management Accountants and is member of the UK Regional Advisory Panel and Benevolent Fund Committees for the Institute.

Outside NNL, Matt is married with two children and he is a Level 2 qualified coach for the Rugby Football League and Vice Chairman of Chorley Panthers ARLFC.



Fiona Rayment
Chief Science & Technology Officer

Fiona was appointed Chief Science and Technology Officer and NNL Board Member in July 2020 and has over 25 years of nuclear industry experience. In her previous role leading the Nuclear Innovation and Research Office she led on the provision of strategic nuclear advice into the Department of Business, Energy and Industrial Strategy.

Fiona provides independent advice to government and industry bodies both nationally and internationally on nuclear related matters including OECD NEA, CEA, INL and ONR. She is a chartered chemist and engineer and a Fellow of the Royal Academy of Engineering, the Nuclear Institute and the Royal Society of Chemistry. She was awarded an OBE in 2017 and the French Légion d'Honneur in 2020.



Andrew Sherry
Special Advisor

Professor Andrew Sherry stepped down from the Board at the end of June 2020 following five years as NNL's Chief Science and Technology Officer and was then appointed to the role of Special Advisor. Prior to joining NNL in 2015, he was Director of the Dalton Nuclear Institute at the University of Manchester. He has over 30 years' experience in the nuclear sector, leading the development of nuclear skills, infrastructure and science & innovation in industry, national laboratories and academia.

Andrew chairs the Defence Nuclear Safety Committee. He provides independent expert advice on strategic, technical and safety aspects of nuclear power to government, industry and international organisations. He is a Fellow of the Royal Academy of Engineering, the Nuclear Institute and the Institute of Materials, Minerals and Mining. Andrew was presented with the 2019 Nuclear Institutes Hinton Award in recognition of his contribution to the industry.



Iain Clarkson
Non-Executive Director

Iain joined the NNL Board in October 2019 having previously served as Chief Financial Officer of WYG plc, an international consulting, engineering and project management business. Prior to that role, Iain was Finance Director for Amec Foster Wheeler's Clean Energy business, and before that he held various Finance Director positions in Westinghouse Electric Company, a global nuclear technology provider, including two periods spent working in the United States. In April 2020 Iain was also appointed as the Chief Financial Officer of Calder Group Holdings Limited a pan-European metals and precision engineering business.

Iain started his career with Coopers & Lybrand where he qualified as an ACA before moving into Corporate Finance to work on Mergers & Acquisitions. He moved across into industry in 1996 and now has over 20 years' financial leadership experience in international consulting and engineering businesses and has a particular specialism in the international energy sector. In addition to his non-executive director role, Iain chairs the NNL Board's Audit Risk and Assurance Committee.



Claire Flint
Non-Executive Director

Claire was appointed to the NNL Board in April 2017 for an initial term of two and a half years and was re-appointed for a further three years in 2019. In her executive career, Claire was most recently Group Human Resources and Brand Director and Management Board member for Oxford Instruments plc, the leading FTSE listed, international, high technology business.

In addition to her non-executive role as Senior Independent Director and Chair of NNL's Remuneration Committee, Claire is interim Co-Chair and Chair of the People Committee at Scope, the leading disability charity and NED and Chair of the Remuneration and Appointments Committee at Oxford University Hospitals NHS Foundation Trust. Claire has a BA in history from London University and a post graduate diploma in labour studies.



Stephen Garwood
Non-Executive Director

Stephen joined the NNL Board in May 2020, having been Professor of Structural Integrity at Imperial College London and served as a non-executive director of the Transport Systems Catapult. Prior to those roles, Stephen was Director, Research & Innovation - Nuclear, at Rolls-Royce plc, retiring in 2013. Over the previous 15 years, he held various Engineering and Technology Director roles for Rolls-Royce plc, including Head of the Technical Authority for the Nuclear Submarine plant.

After a PhD in Applied Mechanics, Stephen started his career with The Welding Institute in 1976, rising to Head of Engineering, before joining Rolls-Royce and Associates in 1996. He was elected a Fellow of the Royal Academy of Engineering in 2002.

In addition to his non-executive director role, Stephen chairs both NNL's Technical Advisory Board and the Environment, Health, Safety & Security Committee. He continues to serve as an Independent on a number of Nuclear Advisory Boards and is an honorary Professor at Imperial College London.



Anna Payton
Non-Executive Director

Anna was appointed to NNL's Board, as the Shareholders' non-executive representative, in 2018.

Anna is an Executive Director and Head of Governance in UK Government Investments (UKGI). During her time at UKGI, Anna has worked with the former Department for Energy and Climate Change on delivery structures for renewable energy incentives, advised the Department for Transport on alternative rail network delivery, and led UKGI's housing work with the Ministry for Housing, Communities and Local Government. Alongside her work with NNL, as Head of Governance Anna leads UKGI's corporate governance strategy and capability programme.

Anna began her career as a project finance lawyer at Allen & Overy, specialising in PFI and energy infrastructure transactions. Her professional experience following this included commercial and financial project finance roles in the energy sector, both as a fund manager for an energy and infrastructure fund in Zurich, and prior to that as a commercial manager in the corporate venturing arm of the Carbon Trust.



Mike Weightman
Non-Executive Director

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

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

In addition to his role with NNL, Mike is an independent international advisor to the Japanese Fukushima Daiichi decommissioning body (NDF), and the Jordanian Government. He is a consultant to IAEA and the OECD's NEA, an independent advisor to several engineering companies and a non-executive director of the EDF GenCo Hinkley Point C project. In 2013 he was made a Companion of the Order of the Bath for his services to nuclear safety.

Mike resigned from our Board on 31st May 2020.

Introduction from the Chairman



NNL has had a really successful year this year. We achieved all of our financial targets for the year – which were agreed in advance by the Board and government. This has enabled us to live our promise as expressed in our purpose ‘Nuclear Science to Benefit Society’. We’ve had record turnover, strengthened key relationships, transformed significant parts of the business and – importantly – done all of this with an exemplary safety and security record.

This would all be impressive in any year – but to do so against the backdrop of a global pandemic is, I believe, an extraordinary achievement. Even though COVID-19 appeared a few weeks before the end of the previous year, nobody foresaw the scale of impact across every aspect of our lives – in work and outside. Yet I’m pleased to report that NNL weathered the storm. That success is – I believe – a testament to a number of factors. Firstly our preparedness for dealing with uncertainty, through steps taken over previous years, but also the decisive leadership of the organisation from the Board and Executive teams and the adaptability, dedication and resilience of our people, coupled with the palpable sense of shared endeavour and commitments to our role in benefiting society.

We’ve seen our business evolve significantly over the year – both in the maturity of how we work and in terms of our relationship with our customers and stakeholders, especially government. Our purpose – ‘Nuclear Science to Benefit Society’ has been a focal point for us this year in shaping our decision making and steering our forward strategy. We see an increasing amount of our work supporting key government programmes, alongside our continuing work for major players in the nuclear sector. The Advanced Fuel Cycle Programme this year has been the most striking example – a £46m package of work under the government’s £505m Energy Innovation Programme, co-ordinated and delivered by NNL in partnership with BEIS. Additionally, the Prime Minister’s ‘Ten Point Plan for a Green Industrial Revolution’ and the subsequent Energy White Paper both made it clear that nuclear energy is a central element of the UK’s road to reaching Net Zero in 2050. That places our work on Clean Energy front and centre to help to address the most challenging and urgent problems of our time.

“We’ve seen our business evolve significantly over the year.”

The nuclear sector was less impacted than many others during this turbulent year, but there was disruption and uncertainty, nonetheless. Challenges included getting our people into facilities, supporting their health and wellbeing, and wider issues for our customers in keeping their own programmes running as planned. This meant that we had to be flexible and responsive, against a backdrop of rapidly changing restrictions in society at large. Even with some of our work rescheduled or cancelled, we were able to secure the bulk of our orders early, giving us some flexibility in our prioritisation of work. We ultimately achieved a record turnover for the year, whilst also delivering substantial social value to the nation through our work.

During the year we saw some important changes to the Board. Fiona Rayment replaced Andrew Sherry in the role of NNL’s Chief Science and Technology Officer, and Stephen Garwood joined the Board replacing Mike Weightman as a non-executive Director. Both Andrew and Mike have made enormous contributions to the Board and the

scientific and technical excellence of the organisation during their tenure and they both leave with my gratitude and that of the rest of the Board. I welcome Fiona and Stephen to their new roles – I know both of them will be huge assets to the Board as we move forward.

In line with evolving regulation and good practice, we’ve further strengthened our governance of the business this year, recognising our obligations for establishing and delivering to our purpose and also our approach to risk and assurance. You’ll find more details about these important measures later in the report.

I’ve been proud and privileged to lead the organisation for several years now, but never more so than these past 12 months. Whatever the future brings, I’m confident that NNL is both well placed and well prepared to consolidate its role as a central player in the UK’s (and indeed the world’s) clean energy landscape, as well as acting as a responsive and responsible employer and committed good corporate citizen within the communities in which we operate.

Chief Executive's Overview



It's difficult to over-emphasise the unprecedented nature of this financial year, and I know that I don't need to explain the backdrop to our challenges. The fact that NNL performed so well, as Sir Andrew noted, is testament to a number of measures introduced into NNL over several years, coupled with the culture of resilience and preparedness which is prevalent across the nuclear sector.

One key feature of our year was the way our purpose – 'Nuclear Science to Benefit Society' – and our NNL Values served us as the cornerstones of our decision making. In our responses to COVID-19 we were conscious of how we could best support the national interest as well as our own business, whether that was through protecting our people, their families and our communities; prioritising work to help keep nationally important infrastructure operating as normal; doing our best to support our supply chain; bringing work experience and onboarding programmes online; or donating surplus PPE to the NHS.

Our challenge this year was not so much the flow of work into the business but rather our ability to deliver facility-based work. We put our Safety value to the fore and ensured that we made our workplaces COVID-secure in a way which allowed us to find and address issues. We also brought our colleagues back into the workplace steadily to make sure everything was working as planned. For those colleagues who were working at home – indeed for all of our colleagues – we put their welfare at the top of our priority list and adapted quickly to ensure they had all the support we could give them – both practical and pastoral. We worked with our colleagues to respond to the challenges of COVID-19 in a wide range of different ways according to their individual circumstances, and I was pleased that the feedback from our regular employee surveys showed our efforts were appreciated and the measures we took had been effective. We applied our Customer value by liaising regularly with our customers to understand their priorities, as we re-shaped our delivery programmes. Throughout the year our values of Integrity, Taking Responsibility, Enthusiasm and Collaboration have guided our approach to the safety, health and welfare of our colleagues. In doing so we have ended the year with our financial targets all hit and – most importantly – our workforce safe and well.

We know that market conditions have been somewhat unpredictable this year across the economy, and the nuclear sector has not escaped. Many of our customers and suppliers have had challenging years with significant disruption to their businesses. Nevertheless, we secured a record order book early in the year and delivered steadily to customers throughout, keeping them (and our supply chain) informed of any changes we needed to make to our plans along the way. As noted by Sir Andrew, the fact that government-funded work formed a substantial proportion of our portfolio this year is also a mark of the closer relationship we have with government and the increasing recognition of our broader role in supporting multiple national missions – including clean energy, environmental restoration, security, science, innovation, exports and the geographic re-balancing of the economy.

The first three of these missions map onto three of our four focus areas, with the fourth – Health and Nuclear Medicine – a relatively new one for us, and a focal point of our plans for future growth. The Focus Areas drive the business to achieve its purpose. You can read more details about these areas later in our Strategic Plan.

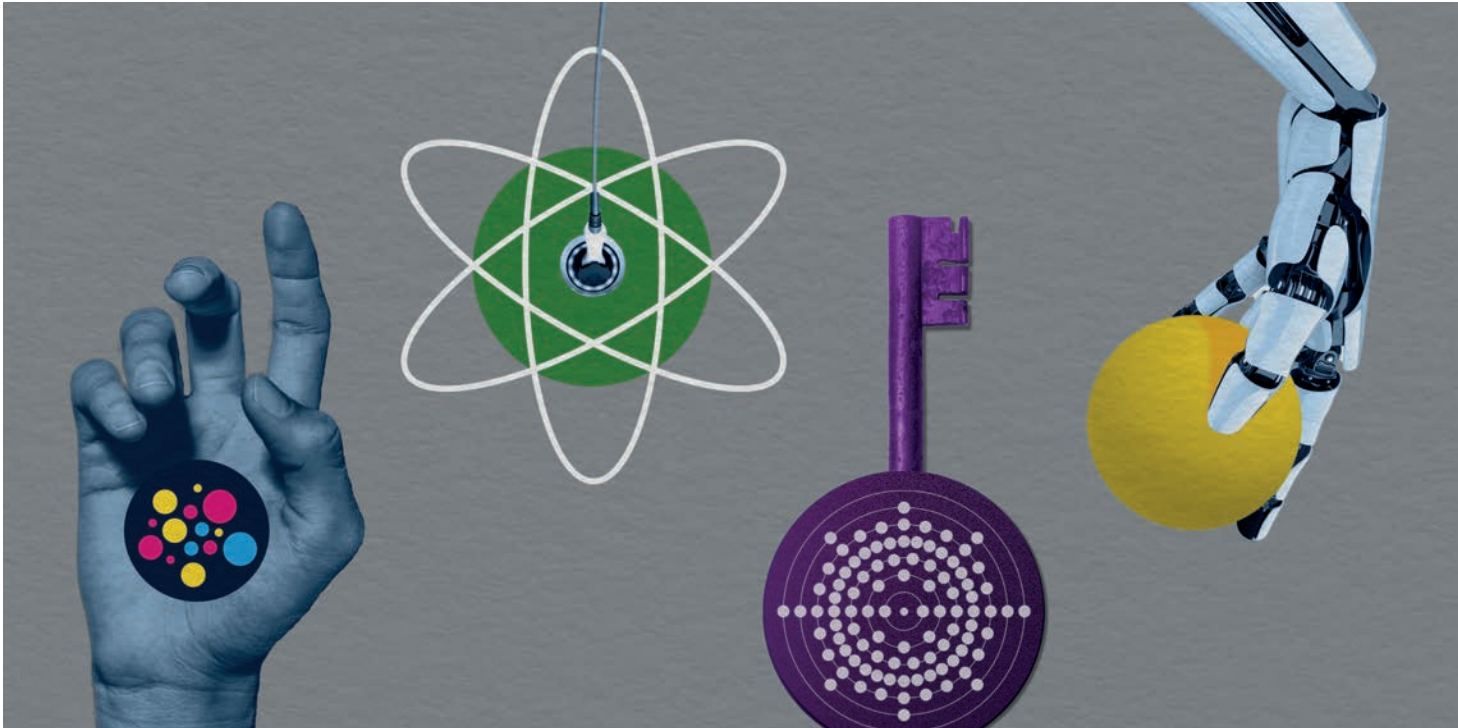
As I've mentioned, it was a successful year in many ways, and some of our key highlights included:

- We hit all of our safety, security, environmental, quality and customer satisfaction targets
- We kept all of our facilities running whilst safeguarding our colleagues and their families
- We exceeded even our stretch targets for the key financial measures of revenue, Earnings to Reinvest and cash
- We agreed a major contract extension with EDF – one of our biggest customers
- We made substantial progress with financial savings and improving our culture and behaviours, through our "Delivering Excellence" programme

In such a challenging year, it would have been easy to overlook the importance of continuing with vital long-term improvement programmes, but I'm pleased to say that we've been able to make impressive progress with our plans to refurbish our facilities to ensure they are in the best state to deliver work for many years to come. There's a fuller list of facilities improvements later in the report, but I'm particularly pleased that we've continued to improve the Windscale Laboratory throughout the year, including refurbishment of the Wharton hoist which serves many of the cells. In addition, we've made progress with plans to improve the working experience in this veteran facility, with plans developed for a major changeroom refurbishment.

Embedding our People Strategy has also been a critical theme this year. Again, I'm delighted that the groundwork done previously has served us so well in dealing with the unexpected situations we've all faced this year. In particular, our focus on the mental health and wellbeing of colleagues has been a priority for us, and some of our work in this area has been shared with others in the nuclear sector and beyond who have found it very useful. I'm proud to report that we've been able to bring around 170 new colleagues into NNL during the year – many of whom have been through virtual induction programmes and settled into their new teams without actually meeting new colleagues in person. A specific highlight from our People Strategy this year has been our continued leading role on the vital issue of Equality, Diversity and Inclusion, which resulted in NNL being successfully accredited as meeting the National Equality Standard at our first attempt. We have pushed forward with a number of internal activities and also played leading roles nationally and internationally – you can read more details later in the report.

As all of us in NNL, whether new arrivals or long-serving colleagues, enter into a new Financial Year together, I'm pleased that we do so from a position of great strength. We are confident that we can continue to deliver our important work safely despite ongoing COVID-19 restrictions, working more closely with government and with a renewed focus on how our work underpins a number of crucial national missions – using nuclear science to benefit society.



1.5.1

Who We Are

NNL aims to use nuclear science to benefit society – that is our fundamental purpose. We are the UK’s principal nuclear fission research and development organisation, providing the technical knowledge and capability to ensure that the country’s civil nuclear fission energy programmes are delivered safely and cost-effectively. We occupy a unique position in the nuclear innovation environment, spanning Technology Readiness Levels 3-6: we take science from inactive laboratory-scale demonstration to prototype deployment with real nuclear materials.

The company is overseen by a Board of Directors, the majority of whom are appointed by the UK government. It is owned by the Department for Business, Energy and Industrial Strategy (BEIS) via a holding company, NNL Holdings Ltd. The framework within which NNL operates, including governance arrangements, is set out in a framework document which is publicly available on NNL’s website.

NNL’s purpose – nuclear science to benefit society – reflects our ongoing commitment to serving the greater good. Our mission is to support policy and provide long term sustainable value for the UK in our Focus Areas: Clean Energy, Environmental Restoration, Health and Nuclear Medicine, and Nuclear Security and Non-Proliferation.

In our role as the UK’s national nuclear laboratory, we are the custodians of unique world-leading nuclear skills, facilities and equipment vital to the UK. With a broad span of knowledge and capability, we always act independently and authoritatively when advising government and stakeholders in the UK and worldwide. Many of our around 1100 employees are internationally recognised experts in their fields, and we work with universities to enable academic access to our services.

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

1.5.2

Strategic Ambitions and Values

NNL’s strategy is articulated in its Strategic Ambitions which are based around its four Focus Areas. These are to:

- Enable the UK’s Advanced Modular Reactor demonstration system by 2030
- Resolve problematic nuclear waste challenges to save the UK £1bn a year
- Establish an indigenous UK radioisotope supply capability by 2028
- Be recognised as the UK’s strategic technical authority for Nuclear Security and Non-Proliferation

These ambitions will be achieved through the successful delivery of work – both for our external customers and under our internal R&D programme – and through the development of our capabilities and stakeholder relationships. Objectives throughout the business are aligned accordingly and progress in their achievement is monitored.

Nuclear has a vital role to play in the low-carbon energy mix but must demonstrate cost competitiveness in generation and must deal with UK’s nuclear legacy in the most cost-effective way possible. As an independent, government-owned body, engaging strategically with industry through partnerships such as those we have with EDF Energy and Sellafield Ltd, we are uniquely placed to help identify and bring innovative technologies and practices into the nuclear sector. In doing this, we are working to retain the trust of industry, of the supply chain and of academia, to identify technology and foster innovation in the interests of the wider sector.

While our motivation is always to benefit society, we believe that our model helps us to deliver to time, cost and quality, and we continue to sustain and grow our business through strategic, long-term, mutually beneficial relationships wherever possible.

NNL’s position as a national laboratory, sitting at the heart of an extensive network and advising the government on nuclear technical issues, industrial strategy and the Nuclear Sector Deal, shows the role we already play in shaping the agenda in the UK. In addition, we continue to be at the forefront of shaping the global agenda, driving the change required to ensure our sector can continue to contribute its vital role to society. This includes building on our domestic Big Tech programme to deliver the Innovation for the Future of Nuclear Global Forum initiative alongside international partners, and by supporting preparation for the rescheduled COP26 in the autumn of 2021.

We continue to maintain and develop our strong track-record of international collaboration. As well as working with the wider UK supply chain to support the Japanese clean-up

effort at Fukushima, we are now, along with other UK partners, working at other Japanese nuclear facilities.

NNL continues to foster unique capabilities by reinvesting our earnings in science, innovation, facilities and people. The UK continues to invest in the world-class facilities of which we are the custodian, and those facilities, combined with our technical expertise and decades of experience as a nuclear operator, support every aspect of the UK’s nuclear fission industry, helping us to be the trusted national nuclear fission laboratory, to sustain and grow our business, and to shape the agenda in the UK and beyond.

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

Our values are the essence of what makes us NNL and define how we go about every aspect of our work. Represented by the acronym SCI-TEC, they are:



The Values are underpinned by a set of Behaviours and both were developed by NNL people themselves. They have been widely communicated across the business and are regularly used to structure internal conversations.

Our Business Model

“Our business is underpinned by a £1.5bn estate of critical UK facilities, which continues to receive public investment”

Our business model is unique for a national laboratory, in that we stand on own two feet financially.

Our work is driven not by profit but by our purpose: we are here to use nuclear science to benefit society, and we work in the national interest, in the interest of the UK nuclear supply chain, and ultimately towards a safe, affordable, low-carbon world. Our business is underpinned by a £1.5bn estate of critical UK facilities, which continues to receive public investment.

But we operate under a unique model for a national laboratory - one which we believe drives our efficiency and agility. Delivering to time, cost and quality for our customers generates earnings which we reinvest to enhance capability and innovation for the sector. Our own expenditure on R&D is heavily geared, and we believe our value to our customers (including to the UK taxpayer) is significant.

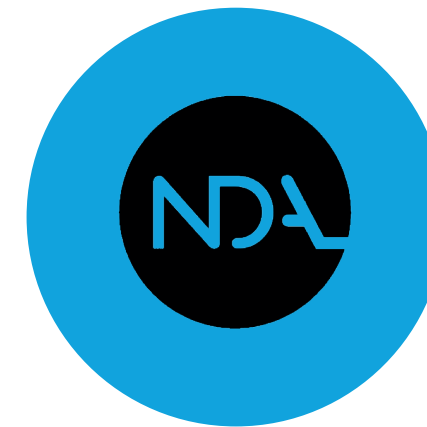
We believe that it is the combination of several different factors which makes NNL unique around the world:

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

NNL is custodian of critical national laboratory facilities on behalf of the government. An application was made to the 2020-21 government spending review for funding to invest in the management of these assets and maintain the high standard of the capabilities they provide. Further funding applications are expected to be made in future years to invest in the strategic capability and underpin policy delivery.

Our Customers

We provide strategic advice, technical services and expert support to customers across most of the nuclear fuel cycle – from fuel and reactor analysis through post-irradiation examination of fuel and reactor materials, to waste management, clean-up and decommissioning support. We continue to broaden out our customer base and growing the number of key customers, who include:



Nuclear Decommissioning Authority (NDA)

The wider NDA estate (including Sellafeld Limited) represents NNL's largest customer. We have a long-established and important relationship with the NDA and its site license companies. In addition to the work for Sellafeld, described below, NNL provides a range of services across the estate with a particular emphasis on the disposition of fuels and special nuclear materials. Growth in work on the storage and management of special nuclear materials (including plutonium) across the NDA estate has been a notable feature of our portfolio of activity during recent years and has strengthened the NDA's position as our major customer.



Sellafeld Ltd

Sellafeld Ltd (SL) – part of the NDA estate - accounts for over one third of our total turnover delivered under a long-term collaborative Technical Services Agreement (TSA). This is one of NNL's most significant ever commercial agreements – representing a 17 year commitment, with a potential lifetime value in excess of £500m.

The TSA allows us to engage and to deliver value at a strategic level and is consistent with our role as the UK's trusted national laboratory. It also creates a single point of entry for the wider supply chain for technical work at the Sellafeld site. Work to embed the TSA ethos and approach across the portfolio of Sellafeld technical work continues to progress. We see this as a potential model for our relationships with other commercial customers, particularly those in the public sector where we are working collaboratively in support of national programmes. We have jointly evaluated the way we support SL, and recognised that we have collectively delivered around £7 billion of value through our joint efforts over the past 6-7 years.

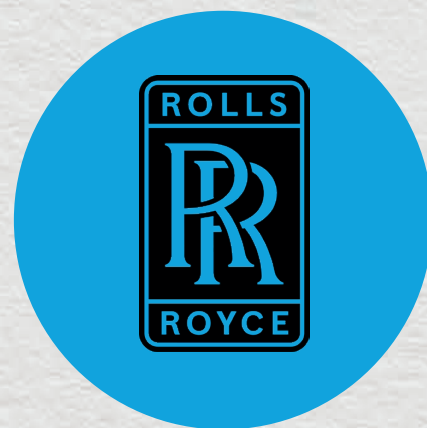
This was a busy year for the Replacement Analytical Project (RAP), which will re-purpose and extend NNL's Central Laboratory to create the future home for delivery of Analytical Services to the Sellafeld site by 2030. The project is rapidly approaching the end of its preliminary design phase and early displacement activity commenced as planned in November 2020 to move existing people and capability out of the areas that will be given over to RAP to create the new Analytical Services laboratories. That work will continue throughout 2021 as the project prepares for the next phase of construction.



EDF

EDF operates all of the UK's civil nuclear reactor fleet, comprising seven Advanced Gas-Cooled Reactors plus one Pressurised Water Reactor (Sizewell B). Our work for EDF includes post-irradiation examination (PIE) of fuel, components and graphite supporting continued operation, enhancing reactor performance, and – where appropriate – supporting the case for potential lifetime extension. NNL's main contract for support to EDF was further extended by almost 5 years in late 2020/21 with a value of around £90m.

That contract - the Lifetime Enterprise Agreement (LEA), signed with EDF Energy four years ago, aims to provide 'a through-life science & technology partnership through a lifetime contract'. The key focus areas under the LEA are Waste Management, Structural Integrity, Fuel Performance and Chemistry. The LEA will continue to focus on the ongoing support to the AGR fleet as stations move towards their End of Generation dates.



Rolls Royce / Ministry of Defence

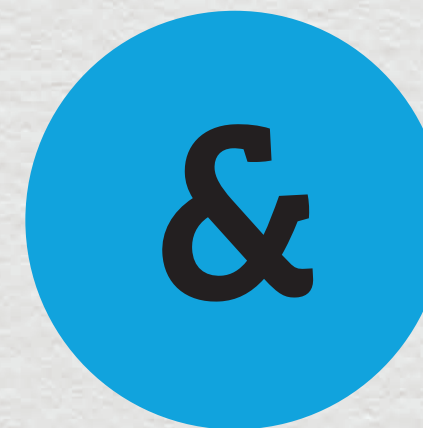
In the same way that we provide materials examination services to operating civil reactors, helping to keep the UK's nuclear energy generation fleet running, we provide a similar service to the Ministry of Defence in respect of the nuclear reactors which power the UK's submarine fleet. This contract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

We have a long-term partnership agreement with Rolls Royce that facilitates delivery of the first phase of a programme which, in total, is expected to be well over a decade in duration.



BEIS

NNL has previously delivered a number of significant contracts let by the Department of Business, Energy and Industrial Strategy (BEIS) under the nuclear strand of its £505m Energy Innovation Programme (EIP), and during this year NNL led the £46m Advanced Fuel Cycle Programme (AFCP) theme, under the second phase of the EIP, alongside involvement in other EIP workstreams. This work - which is considerably greater in scope than phase one - allowed NNL to work with the supply chain and academia, in the UK and beyond, to engage and deliver at a strategic level, creating a single point of entry for the wider supply chain, and marking a significant step in fulfilling NNL's strategic objectives, in particular in delivering our role as the UK's trusted national laboratory.



Other

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

Capabilities

World Class Nuclear Knowledge and Experience

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

Our technical expertise is matched by our operational pedigree, and by our capabilities across all of our professional services and supporting functions. For one of our expert scientists to simply put his or her hands into a glovebox in an active lab facility requires the combined efforts of a vast range of dedicated professionals in every discipline from safety case preparation to procurement.

Technical excellence and operational excellence work most effectively together, as two sides of the same coin – and the fact that NNL possesses a huge breadth and depth in each gives the organisation an 'indivisibility' which makes us unique.

“Our technical expertise is matched by our operational pedigree, and by our capabilities across all of our professional services and supporting functions”

Science and Technology

Science, Technology and Innovation are collectively the heartbeat of what we do at NNL, bringing together critical infrastructure, equipment and expertise to underpin safety cases, minimise risk and underpin decision making. At NNL we re-invest our earnings to further our understanding of nuclear science. Our S&T Agenda focuses on core science, disruptive innovation and nationally important strategic research that enable national nuclear outcomes. Our approach is to do this collaboratively, enabling and leading partnerships nationally and internationally making best use of expertise, infrastructure and investment.

Critical Nuclear R&D Infrastructure

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

The flagship NNL facility is our Central Laboratory at the Sellafield site, which is unique in the UK in having both non-active and active laboratories and a rig hall.

Other facilities include:

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

We also have office-based facilities at Warrington, Stonehouse and Culham.

Business Performance Summary

As noted earlier, this was an excellent year for NNL. We achieved record revenue, and significantly exceeded our financial targets for the performance of the business. All this in a year when our ways of working were constrained by COVID-19 and needed to adapt rapidly to the changes in guidance across all of our society. We kept our people and their families safe and secure, whilst revolutionising the way many of our people worked, by facilitating an element of remote working for the vast majority of our staff.

Despite our own success, we recognise that the year has presented much greater challenges elsewhere in the sector – most notably further down the supply chain – and we will continue to assess the situation for our own suppliers to ensure we try to anticipate any issues.

Our business continues to evolve in readiness for further change. As our purpose – Nuclear Science to Benefit Society – becomes firmly embedded in our organisation we strive to think and operate as a national asset.

Cash reserves at the start of 2021/22 remain strong. We do not anticipate the continuing impact of COVID-19 will present a significant cash challenge, but the implications of the evolving situation for cash will be closely monitored and a dialogue maintained with the government shareholder to ensure the business has access to the cash it requires.

All of our key targets on safety, security, quality and environmental performance were achieved.

Key Performance Indicators

The table includes the metrics used by management to monitor business performance. Revenue figures represent core business activities and differ to those disclosed in the Statutory Financial Statements which include income which is presented as a cost reduction in management reporting.

	2019/20 Actuals	2020/21 Target	2020/21 Results
Environment and Energy	0	Cat 1-4 Events: 0	0
Health and Safety	1 0	Sig. Events: <3 Actions missed: 0	0 0
Security	0 0	Sig. Rep Events: <2 Actions missed: 0	0 0
Quality	1 + 1	Cat 4 Issues: <3	0
Culture/ Assurance	0	Actions outstanding: <9 (per period)	0
Revenues	£102.6m	£119.0m	£128.3m
Earnings to Reinvest (ETR)	£4.4m	£2.7m	£13.3m
Cash Forecast Low Year End	£6.0m £28.9m	>£4.0m £17.1m	£26.9m £40.2m
Efficiency: Utilisation Facilities Cost Base Functional Cost Base Overall Efficiency	- - - 52.7%	Average Hours: 1529hrs Facilities Budget: £29m Functional Budget: £22.7m -	1369 £30.0m £19.3m 51.6%
Customer Satisfaction	91.7%	Green	Green
Value of R&D: Gearing	£31.7M	£15m	£20.2m
Publications	75	75	76

Financial Review

We achieved a record revenue this year of £127.9m, significantly up from the 2020 figure of £104m. Similarly, we achieved a profit level of £13.4m, up from £5.2m in 2020.

Investment in key infrastructure continued during the year resulting in property plant and equipment balances of £81.8m (2020-£81.1m) at the year-end. An actuarial loss arising in the Company's Defined Benefit schemes in the year resulted in a liability of £0.1m (2020 Asset (£0.9m)) being recognised. Following an agreed rent reduction in relation to one of the Company's laboratories the right of use asset and associated lease liability were remeasured in accordance with IFRS 16, this led to right of use assets valued at £9.9m (2020-£22.8m), and lease liabilities valued at £9.9m (2020-£22.9m).

At the statement of financial position date the Company had total assets of £179.1m (2020-£174.8m) and total liabilities of £101.5m (2020-£109.4m). Further details are set out in the Financial Statements on pages 70 to 95.



Future Outlook

The nuclear industry – both in the UK and beyond – continues to change, and NNL is adapting and changing with it.

We know that the funding available in the UK's cleanup and decommissioning market remains on a downward trajectory over the coming years, paralleling the anticipated reduction of work from EDF Energy as the AGR stations reach their eventual closure dates, some of which were confirmed during the year. Our strategic collaborations with our biggest customers reflect that trend and position NNL to remain close to our customers, working together as we provide innovation, expertise and reliable capability across the sector. Despite the downward trend in the overall level of funding available, opportunities are expected to continue into the future to address the complex technical challenges presented by this market.

Looking more broadly, and notwithstanding the challenges of travel restrictions imposed due to the COVID-19 pandemic, the nuclear sector is becoming more globally connected. As it does so, we in the UK have an opportunity to re-establish ourselves at its heart. NNL continues to work closely with government to help achieve this, and with our unique facilities, coupled with our breadth and depth of experience - encompassing new starters, mid-career professionals and globally-recognised Subject Matter Experts - we will continue to consolidate and grow our presence on the international stage as we move forward.

Looking to the future, we will continue to grow a broad base of long term programmes for government and major customers. We also strive to be more intimately engaged with our key customers, to better understand and anticipate their needs, so that we can add more value to their work. Our new purpose – increasingly a focus of our organisation - emphasises the value we bring to society as a whole, through the missions of our key customers and the support we help to deliver to the UK economy and beyond.

As custodians of over £1.5 billion worth of unique nuclear research facilities, supporting national missions, we will strive to ensure that they continue to receive the investment they need to remain operational and efficient. An application was made to the 2020/21 spending review for funding to invest in the management of these assets and further such applications are expected to be made in future years. Alongside our facilities, we will ensure that we invest in our people and our future capabilities. We will work to transfer knowledge from this generation to the next – ensuring we can turn today's apprentices and graduates into the subject matter experts of tomorrow.

Science and innovation remain at the beating heart of our business, and we seek to establish a greater focus on the wider innovation landscape, enabling us to bring in appropriate developments from elsewhere into the sector, recognising the constraints and challenges of our industry. The effective exploitation of innovation will be crucial to the successful development of some of tomorrow's nuclear concepts – including novel fuel designs, space applications, disruptive decontamination techniques, and advanced reactor systems that support new applications of nuclear energy, and move the nation towards a sustainable hydrogen economy, powered by nuclear fission.

As we evolve to address the future, we are focusing on our purpose – Nuclear Science to Benefit Society – seeking to maximise the value we can add for customers and to society as a whole, through harnessing our expertise, experience, facilities and innovation. We will be guided by our enduring values and the associated behaviours, making sure that nothing compromises safety in any circumstances. We will continue to forge our role in driving innovation in the sector, nationally and globally, while operating more effectively across the organisation – better aligned to our purpose and strategic goals. In particular we will seek greater engagement with technology providers and developers, leveraging our capabilities and the critical national infrastructure under our stewardship to facilitate innovation that will benefit the sector.

As the 2020-21 financial year drew to a close, the COVID-19 pandemic continues to have a significant impact on all aspects of life and business, both in the UK and globally. NNL continues to put the safety of our people, their families and wider society first, whilst ensuring that vital work can be delivered to customers.

At the time of preparation of this report, the future implications of the COVID-19 pandemic remain unclear, although we anticipate that our operations in at least the early part of 2021/22 will continue to be impacted. The issue is being managed as a special Board risk (Section 5.4) and progress is being closely monitored by the Board.

As we look to the longer-term, our priorities for our business – in addition to our over-riding priority of safety – are:

- Delivering value to customers and society as a whole
- Better tools to do the job with a high performing information technology platform
- Development of people, values and behaviours
- Becoming a better place to work – with lean and efficient processes
- Safe, secure data and information
- Investment in our infrastructure and facilities

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

Risks and Uncertainties

NNL's directors remain confident about the future of the business. Nevertheless, risks and uncertainties do exist which could adversely impact future financial performance. Despite the resilience of the business to disruption this year, it is expected that COVID-19 will continue to present significant challenges to the business through 2021/22. This continues to be managed as a special Board risk.

Our refreshed approach to Risk and Opportunity has bedded in well this year after being updated during 2019/20 to include new reporting activities, more training for the employees and leadership of the business and the development of a new integrated risk management tool.

At Board level, risk is managed through the Audit, Risk and Assurance Committee, which considers all matters of risk and opportunity across the business. The Environment, Health, Safety and Security Committee provides in-depth reviews across the Health and Safety of our business activities.

The principal areas of risk have further developed through 2020/21 and are set out in Section 5.4.

Going Concern

The Company's business activities, together with factors likely to affect its future development, performance and position have all been considered. As part of assessing the Company's ability to continue as a going concern, particular focus has once again been given to assessing the impact of COVID-19. Management have performed additional stress testing scenarios on the Company's balance sheet to assess the potential downturn the continued impact of the pandemic could have on its business.

Consultations regarding the impact of the pandemic have continued throughout the year with our critical customers and suppliers and these helped to inform the sensitivities applied in the scenarios considered. In each scenario enough liquidity was demonstrated.

Based on the detailed cashflow forecasts prepared by management, which included any reasonably possible change in key assumptions on which the cashflow forecasts themselves were based, and assessing various scenarios relating to COVID-19 the Directors believe that there is a reasonable expectation that the Company has adequate resources to continue to adopt the going concern basis in preparing these financial statements.

Approval

This strategic report was approved by order of the Board

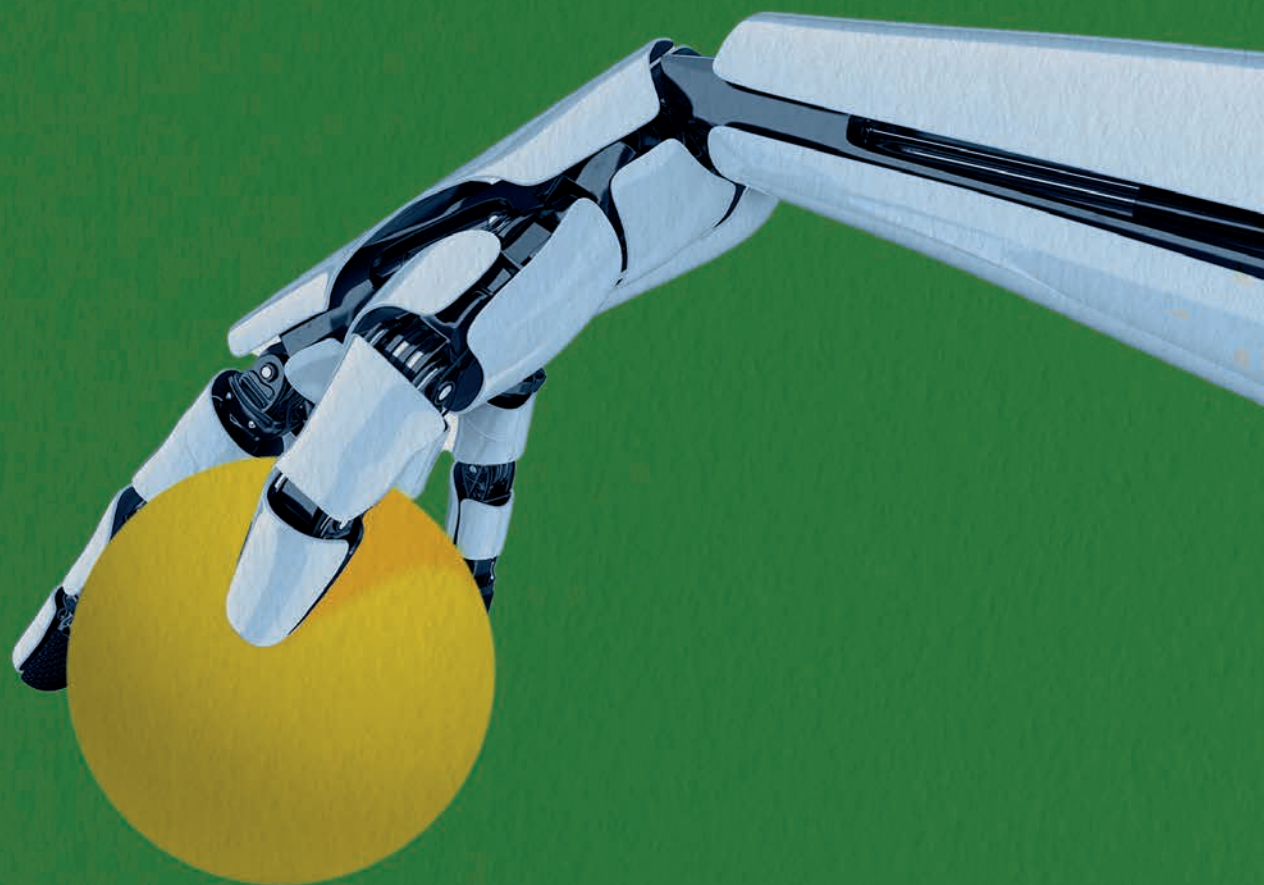
David Dukes

Secretary

30th July 2021

“The Company has adequate resources to continue to adopt the going concern basis in preparing these financial statements”

“We achieved an industry-leading positive performance, with no reportable events around Nuclear Safety and all EHSS&Q aspects”



Environment, Health, Safety, Security and Quality (EHSS&Q)

At NNL we operate an extensive suite of facilities across several sites (including our own and those run by others). We handle a wide variety of highly challenging materials, many of which are highly radioactive, as well as working with heavy engineering machinery in our rig halls. The nature of the research we undertake often means we are undertaking unique processes for the first time. All of this creates an environment where our focus on remaining safe and secure must be paramount at all times. We therefore continue to ensure safety is incorporated into everything we do – and to sustain this ethos as a core value of our business and all our personnel.

We achieved an industry-leading positive performance, with no reportable events around Nuclear Safety and all EHSS&Q aspects. Continuous improvement is a key driver with notable reductions in minor accidents and events alongside improvements in leadership and workplace engagement realised this year. Relationships and interfaces with our regulators continue to remain strong and positive, with some longer standing actions closed out.

Our response, arrangements and preparatory activities implemented for COVID-19 were exemplary and were recognised across both the nuclear and research sectors as embodying many elements of good practice which were shared and adopted elsewhere. Our work – a tremendous team effort across the business – ensured continuing operations and very low infection rates. Positive feedback on our approach was received from our colleagues, trade unions and from external stakeholders.

We were proud to be awarded our 17th consecutive RoSPA Health and Safety award during the year. However, ensuring we remain vigilant and continue to learn lessons from events and near-misses – both within NNL and across the industry – remains a priority. The health and wellbeing of all our personnel has been a focus of a variety of initiatives and campaigns during the year with excellent participation and interaction.

First year surveillance of our certification to Occupational H&S Standard (ISO 45001) by LRQA provided a zero findings outcome.

Combined with Safety, Security (including the increasingly important area of cyber-security) remains a key area of focus, with Security and Resilience processes becoming much stronger and more robust as we continue to build and sustain our Security Culture. Cyber-security training and awareness was enhanced during the year, due to the greatly increased numbers of employees who were working from home during the pandemic.

The Office for Nuclear Regulation (ONR) has approved updates of our NSSPs for each of our nuclear facilities and these have been successfully implemented. Our Information Security certification (ISO 27001) was successfully re-certified after a comprehensive LRQA audit.

Nuclear Material stocktaking activities at all our nuclear facilities were completed accurately and verified by our Site Licence Companies & Regulators accordingly.

A successful external surveillance audit by LRQA for our Quality Management certification (ISO 9001) was completed with significant improvements leading to efficiencies being realised within our Integrated Management System.

We maintained a strong performance in the area of environmental management and control, with robust compliance with all Environmental Permits and Authorisations across all our facilities. This was supported by successful external surveillance audits by LRQA for our Environmental Management certification (ISO 14001) and our Energy Management certification (ISO 50001).

Due to COVID-19 restrictions, the surveillance audits of ISO 45001, ISO 14001, ISO 9001 and ISO 50001 were undertaken consecutively, and we were pleased to learn that all resulted in zero non-conformance.

We continued to identify, and progress, suitable disposal routes for difficult waste streams, with some long-standing legacy wastes disposed of this year.

The ‘Achieving EHSS&Q Excellence’ vision and long-term strategic plan to sustain a strong Nuclear Safety, Security and conformance culture, underpinning operational delivery excellence, continued to progress with an associated cultural maturity model road map now in place.

Streamlined Energy and Carbon Reporting

Our Annual Energy Review included an intensity ratio calculation for the UK government’s Streamlined Energy and Carbon Reporting (SECR). Our reviews indicated our facilities have a relatively consistent energy usage, and we have shown a continuing reducing energy intensity ratio, although COVID-19 restrictions have had an impact on some operations this year, notably business travel, so the extent to which this reduction will endure is difficult to quantify at present.

NNL Streamlined Energy Carbon Report (SECR)	2019 - 2020	2020 - 2021
Data Energy consumption used to calculate emissions (kWh)	Electricity: 9,797,284 Gas: 931,978 Steam: 7,352,373	Electricity: 9,386,637 Gas: 563,436 Steam: 8,173,746
Scope 1 Emissions from activities for which the company own or control including combustion of fuel & operation of facilities (tCO²e)	Gas: 171	Gas: 104
Scope 2 Emissions from purchase of electricity, heat, steam and cooling purchased for own use (tCO²e)	Electricity: 2504 Steam (CHP): 1294	Electricity: 2188 Steam (CHP): 1411
Scope 3 Total emissions from business travel in rental cars or employee owned vehicles	Kilometres = 1981193.57 Transport = 264 tCO²e	Kilometres = 115,829 Transport = 20 tCO²e
Total gross Scope 1 & Scope 2 emissions / tCO²e =	3969 tCO²e	3702 tCO²e
Intensity ratio: tCO²e (gross Scope 1 + 2) / £1,000,000 revenue	3969 tCO²e/£104M Intensity Ratio = 38.2	3702 tCO²e/£128M Intensity Ratio 28.9

NNL is accredited to ISO 50001:2018 Energy Management and is committed to improving energy performance and mitigate excessive energy use as a result of business activities, by applying effective energy management, through controlled processes and effective risk management, with continual energy efficiency improvement activities.

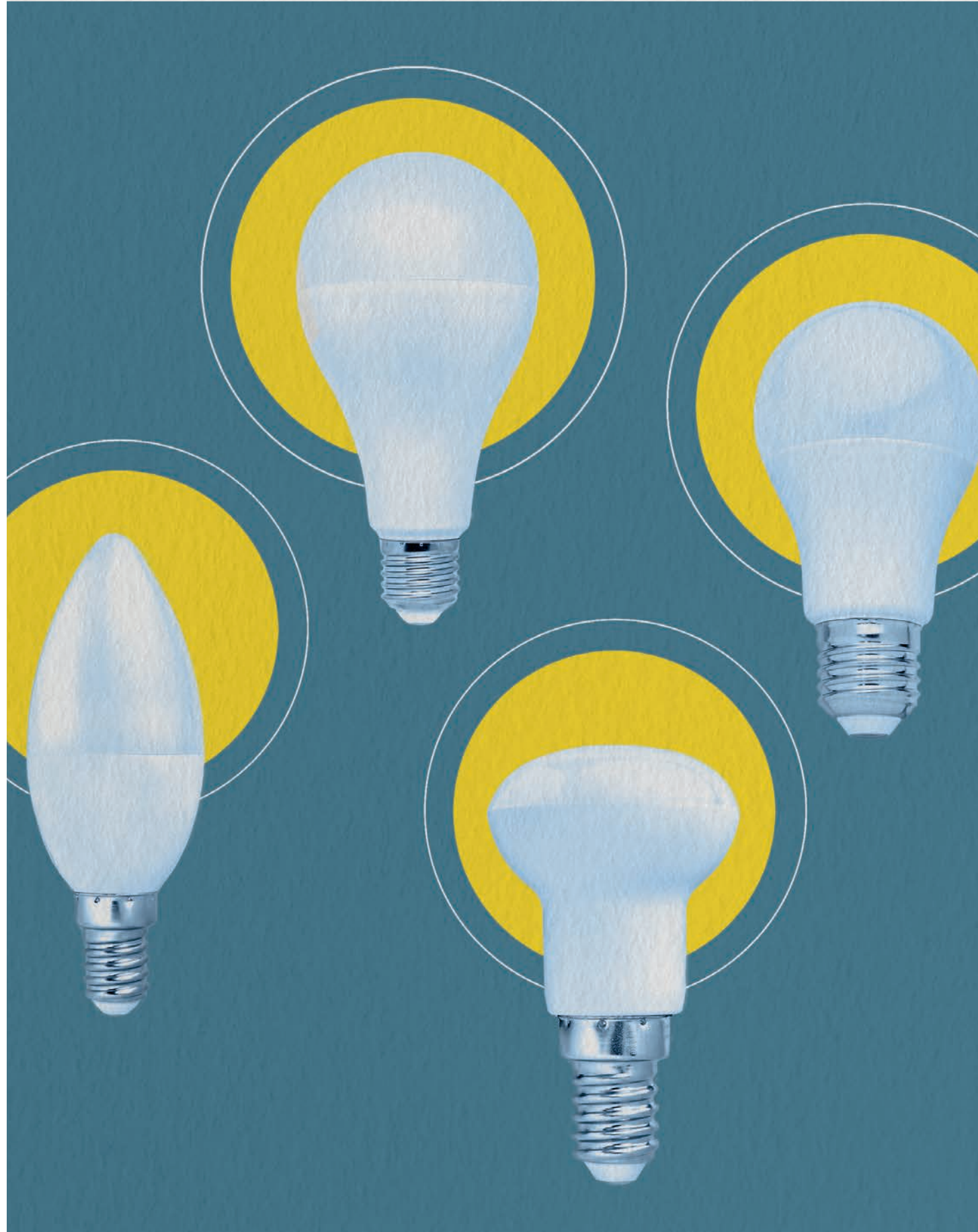
Methodology: NNL boundaries are defined as three active facilities, one non-active facility and three offices - approximately 75,000 m2 in total. The company has established and actively uses an energy baseline; using a systematic, data driven and fact-based process, focused on continually improving energy performance. NNL monitors and measures all energy consumption, using meter readings for facilities and energy data supplied by landlords for offices in shared buildings. Estimates are used for one office extrapolated against historical data and checked against a metered office. NNL energy consumption is well understood - deviations from expected energy usage are understood and relatable to work patterns or outages.

“NNL’s carbon footprint is relatively steady year on year, and our energy intensity ratio is steadily decreasing through various education measures”

Continuous Improvement: NNL’s carbon footprint is relatively steady year on year, and our energy intensity ratio is steadily decreasing through various education measures, including eLearning, regular promotion of best practice on reducing environmental impact and energy management awareness. Physical improvement measures include refurbishment of facilities, care and maintenance and equipment purchasing, considering both sustainability and energy efficiency. NNL established environmental and energy management improvement activities across fourteen departments, progress was measured and monitored, and formally reported as a Key Performance Indicator (KPI).

In summary, NNL’s facility operations have continued through COVID-19 restrictions, and the data indicates a steady carbon footprint. NNL has maintained full accreditation to ISO 50001 and ISO 14001 demonstrating commitment to protecting the environment and energy management in our daily operations and services.

Highlights



Customer Highlights

Whilst this has been a good year overall for NNL, we recognise that the challenges of COVID-19 placed significant constraints on many of our customers, who needed to defer or re-configure many of their own programmes of work, with a consequent impact on NNL. It was therefore all the more pleasing that we were able to deliver a record quantity of work successfully this year. NNL carries out a wide variety of activities for customers so it is always difficult to select specific highlights from a full year's worth of work.

But a few examples worthy of note include:

Sellafield Limited

NNL designed a bespoke Remotely Operated Vehicle (ROV) for Sellafield Ltd to fully characterise nuclear material storage facilities in the presence of extremely high radiation levels. The building, a storage facility for highly active waste, has only one access point - a 30m vertical drop above the store floor followed by a 20m inspection route round obstacles. NNL's work to successfully assess the facility has shown that it is in good condition and this information will be used to support a decision in early 2021 as to whether or not to build a new store, potentially saving Sellafield Limited, and hence the UK taxpayer, many millions of pounds.

Once the operations of a nuclear plant are complete, a period of Post Operational Clean Out (POCO) is undertaken to allow the plant to be decommissioned. POCO is a challenging operation that significantly reduces the level of residual nuclear material within the plant. NNL developed 3D models to confirm the feasibility of utilising robotic systems to safely, efficiently and effectively carry out Post Operational Clean Out and decommissioning operations within a glovebox.

This work has paved the way for future work programmes with the objective of utilising robots for such operations and removing the human operators from potentially hazardous activities.

NNL has completed work to show that settling aids can be deployed to control activity release if required during sludge retrievals, a major challenge in the clean-up of ponds historically used to store legacy nuclear fuel and material. This work has involved the selection of suitable media, supporting the design of how best to deploy it and its performance assessment and proving that it would have no detrimental impact to the overall site effluent system. This removes significant risk from the pond retrievals process.

With technology commercialisation specialists, FIS360, we have delivered the successful Game Changers programme for Sellafield Limited, working with a range of organisations to identify and develop promising innovative solutions to some of the complex challenges on the Sellafield site.

The Wider NDA Estate

NNL completed all the design reviews and Hazard and Operability (HAZOP) analyses of novel and complex systems under NDA's Plutonium disposition programme during COVID-19 restrictions of no travel. Initially the team had felt it would not be possible to complete the HAZOP work for the Hot Isostatic Press machine, loading system and Active Furnace Isolation Container via video conference. After careful planning and preparation, NNL was able to successfully run the reviews remotely, despite the logistical challenges of the team being split across the USA, Australia and the UK. This achievement now enables the critical manufacturing activities to commence.

NNL has created the technical workstream for the industry-wide alpha resilience capability (ARC) programme, focused on the skills, equipment and knowledge needed to deal with special nuclear materials, including plutonium, which is sponsored by NDA, and moved this work into a delivery phase.

EDF Energy

As EDF's Advanced Gas Reactor (AGR) fleet approach their end of life, additional surveillance of its fuel is needed. A key part of this work is the endoscopy programme provided by NNL across the AGR fleet – now expanded to provide a more flexible, extensive and rapid service through close collaboration with EDF. Throughout the year, NNL's endoscopy team delivered the fuel assessments to meet EDF and the regulator requirements, despite the challenges of COVID restrictions, and received positive customer feedback on its flexibility and technical capabilities.

Nuclear New Build

NNL is part of the UKSMR consortium led by Rolls Royce, which has seen significant progress during the year, including an allocation of £215 million from the Government's Low Cost Nuclear programme as part of the Prime Minister's Ten Point Plan for a Green Industrial Revolution. NNL has invested substantially in the programme with a particular aim of developing its capability in field of advanced reactors; a wide range of NNL people have participated in the programme to develop their expertise and NNL's capability in this important area of technology. The consortium is scheduled to put its small modular reactor concept into the UK's Generic Design Assessment process in the coming year.

Other UK Work

We strengthened our capability to perform intrusive PIE on fuel from nuclear-powered submarines by inactively commissioning a number of innovative R&D techniques at our test facilities.

We leveraged our existing research programmes and developed unique hydrogen gettering capabilities to provide opportunities to create additional value or the MoD programme. We developed and implemented innovative processes to transform residues present on the AWE site into wasteforms that are more readily manageable.

International Work

As well as working with the wider UK supply chain to support the Japanese clean-up effort at Fukushima, we are now, along with other UK partners, working at other Japanese nuclear facilities.

3.2

Support to Government

3.2.1

NIRO

The National Nuclear Laboratory (NNL) is Government's centre of expertise for nuclear fission. Part of its remit involves providing technical nuclear advice to policy teams. This is delivered through the Nuclear Innovation and Research Office (NIRO): a division of NNL operated on an independent, arms-length basis and staffed by experts from across the nuclear industry.

NIRO is designed to provide BEIS with immediate access to strategic and technical advice and guidance. NIRO members work closely with teams in SICE and Nuclear Directorate and, when not prevented by COVID-19 restrictions, have in the past spent time working from BEIS offices.

Throughout the year NIRO has supported BEIS on a variety of areas including:

- Nuclear Innovation Programme
- Secretariat for the Nuclear Innovation and Research Advisory Board (NIRAB)
- Advanced Nuclear Technologies including Small Modular Reactors
- International Engagement including advice on the UK's withdrawal from the EU and Euratom, integrated approaches with NEA and IAEA and a number of bilateral R&D collaborations
- Delivery of "Large Nuclear"
- Support to activities relating to the Nuclear Sector Deal

During the year NIRO's Executive Director, Dr Fiona Rayment, returned to NNL to take up the role of Chief Science and Technology Officer, and was replaced in the NIRO role by Dan Mathers.



3.2.2

Advanced Fuel Cycle Programme

In addition to the work of NIRO, NNL supports government through its central role in delivering key parts of the BEIS £505m Energy Innovation Programme. We signed an MOU with BEIS during the previous year to mark the fact that NNL was leading the delivery of the national Advanced Fuel Cycle Programme (AFCP), representing a major government investment in development of advanced fuels and recycle technology. The programme has been a major part of NNL's portfolio during the year, making use of our unique facilities and distributing projects throughout the supply chain, making particular use of the strong UK nuclear academic community.

The programme is themed around four strategic objectives of Capability, Capacity, Cost Reduction and Collaboration, which together support the manufacture, deployment and accessibility of clean energy and sustainability technologies in the UK.

Impact is focused around eight key areas across science and society – including Innovation, People, Infrastructure, and Supply Chain – taking an integrated approach that targets the various ways in which nuclear innovation will support the UK's future.

Some of the significant successes achieved by the programme include:

- We have worked with over 100 different UK organisations and more than 25 others from overseas, covering more than 10 countries
- Impact is focused around eight key areas, including Innovation, Skills, Supply Chain, World Class Facilities and pathways to Net Zero
- The programme has leveraged over £130m of additional value through collaboration and partnership
- International engagement has continued, despite the inability to meet in person, and has facilitated significant international influence both bi-laterally and multi-laterally with organisations such as OECD NEA, Generation IV Forum and IAEA
- Our three online technical meetings to disseminate results and share insight have collectively attracted over 200 participants from industry, government, academia and the supply chain
- Over 60% of AFCP's total investment in industry supports SMEs
- The programme supports over 90 PhD students and postdoctoral researchers at 16 UK universities

Technical highlights have included:

- Ten new capabilities are set to be ready by June 2021, which will provide valuable research, development and manufacture infrastructure in the UK
- The successful user access scheme is enabling six academic teams to complete strategically important research at NNL's Central Laboratory with BEIS, NNUF and Henry Royce Institute funding
- AFCP's Coated Particle Fuels project has completed the first irradiation of a UK-developed fuel concept in a generation at MIT
- AFCP has revived UK expertise in fast reactor fuels, which offer benefits of both clean energy and sustainable fuel cycles, following historic capability in this area
- Similarly, the programme has re-established UK capability to produce Coated Particle Fuels for high temperature reactors (HTRs)
- Through NNL's Innovation Team and AFCP's Nuclear Data Project, applying blockchain to the nuclear sector for the first time in this capacity
- World-leading advanced recycle 'rig trials' were completed, putting the UK at the forefront of international programmes on sustainable fuel cycles
- AFCP work was influential in the designation of NNL as the IAEA Collaborating Centre on Advanced Fuel Cycles
- Across the programme, AFCP work has developed roadmaps to Net Zero to inform policymakers and industry about opportunity for advanced fuel cycles in achieving Net Zero

3.3

Enhancing Our Facilities

COVID-secure arrangements were rapidly put in place across Central Laboratory, Windscale, Workington and Preston in response to the pandemic, enabling critical operations and customer delivery to continue uninterrupted.

Substantial refurbishment work continued this year in the Windscale Laboratory. This included:

- Refurbishment both of Cave 4, including installation of a new crane and replacement of shielding windows, and of the Wharton Hoist, which is critical for many facility operations
- Full commissioning of the Red Extract ventilation system
- Continuing improvements to building welfare facilities, including replacement of building windows, and completion of the design for major changeroom refurbishment

Activity in our Preston Laboratory has included:

- Modification to the processing methods for organic liquids containing uranium and other radioactive species resulting in a 50% increase in throughput
- Improved security processes leading to safer operations and a reduction in process time
- An integrated approach to the disposal of HEPA filters from the ventilation system, combining health physics, radiochemistry and processing expertise, facilitated the disposal of over 100 legacy filters and saved around £70,000

Enhancements at Central Laboratory included installation of fire ceiling improvements to reduce fire risk, repairs to the roof infrastructure and an upgrade to the active goods lift to support continued movement of nuclear material throughout the facility. In addition, some work has been moved to other NNL facilities to mitigate the workload for the Relocation of Analytical Services (RAP) project and safeguard delivery of work.

A series of improvements has been carried out to the Workington facility including a new wet laboratory, updated meeting rooms with new furniture, replacement of the office roof, new carpets and asbestos removal. In addition, landscaping outside the front of the building has been carried out to improve the entrance to the facility.

A key part of our role as national laboratory is to allow others to access our facilities where appropriate and we continue to strive to open our facilities, particularly for academic access. That activity needed to be curtailed during 2020/21 due to COVID-19 restrictions. However, we were able to continue to provide physical access to existing embedded academics, plus an element of remote access for new academic researchers – allowing them to specify work to be carried out by NNL staff. We also resumed a limited amount of in-person access for new academics in the final weeks of the financial year.

We are committed to returning to normal levels of access as soon as possible once circumstances allow, as we recognise that this collaborative approach enhances the capabilities of our people and the wider nuclear industry.

“NNL S&T investment will focus on the creation and delivery of key scientific outcomes that will benefit both NNL and the whole nuclear industry”

3.4

Science, Technology and Innovation

The UK environment is changing with respect to the role that nuclear will play. Decarbonising the energy sector by 2050, creating sustainable environmental solutions and enabling production of medical isotopes for health will all be key for a sustainable future. In line with NNL's purpose and strategy a new Science & Technology (S&T) agenda has been created. S&T is the 'heartbeat' of NNL and will enable successful delivery of NNL's purpose 'Nuclear Science to Benefit Society'.

This new agenda builds on the successes achieved to date, focusing on national requirements and enabled through collaborative partnerships with academia, industry, government and international organisations.

It is made up of three key elements:

- Core science (focused on themes that develop core skills, utilise critical national infrastructure and drive university collaborations)
- Disruptive innovation (created from innovative ideas, customer led challenges and industry wide partnerships)
- Strategic research (programmes underpinning the future national agenda that leverages R&D programme investment)

This is all underpinned through collaboration that will accelerate R&D solutions and enable access to critical R&D capability through the sharing of resources (people, knowledge and infrastructure).

Through our S&T agenda, our experts provide thought leadership through active engagement on national and international committees, meetings and advisory panels. As part of this agenda, we are expanding our fellowships within NNL to broaden the areas that the fellowships cover and to introduce an early careers fellowship programme.

NNL S&T investment will focus on the creation and delivery of key scientific outcomes that will benefit both NNL and the whole nuclear industry.

Some highlights include:

- NNL's core science themes have been linked directly to the AFCP programme
- NNL was designated as the UK's first IAEA collaboration centre
- 76 peer reviewed journal publications were published
- Self-funded R&D has leveraged a total revenue of £20.2m this financial year
- Four of the nine core science programme areas were assessed as world class – with others working towards that level
- Substantial SME engagement has been achieved in the innovation programme – and NNL has run the successful Game Changers programme for Sellafield Limited
- The NNL Fellowship scheme has been refreshed and expanded – including the appointment of the first NNL Fellow in a social science

One important aspect of our S&T work this year has been an increased focus on nuclear's role in generating 'green' hydrogen (i.e. hydrogen which does not generate substantial CO₂ emissions in its production). This is part of our Clean Energy theme and a vital part of the UK's roadmap to achieving Net Zero by 2050.

Taking our Business Forward

Our programmes of business enhancement over recent years have paid dividends during the year. As we responded to the COVID-19 challenge the refreshed organisational design ensured clear lines of accountability and our SmartSource IT platform was transformational in facilitating the business to continue to function with the vast majority of colleagues working from home. The most recent phase of the project, 'Sustainability of NNL' ensured that efficiencies, savings and growth were embedded into the business, ensuring a sustainable business model going forward. One major example was the move to secure cloud-based computing, which was pioneering in our sector, and which has been a cornerstone of our ability to work remotely this year. Another was the switch from Skype for Business to MS Teams, which delivered greatly enhanced functionality for the business as a great deal of interaction switched to taking place via this platform.

Our Delivering Excellence programme was one specific highlight this year which embodied a multitude of different projects from across the organisation and produced significant benefits for us. Some of these were financial – savings of many tens or hundreds of thousands of pounds in saved effort and reduced use of commodity items. More important though were the softer benefits – such as the personal development recognised by all of the individuals who took part in these projects, the upskilling in teamwork and collaborative skills and the cultural change of empowering people from all levels in the organisation to own their challenges and develop and implement appropriate solutions.

As we move forward, we are increasingly focused on becoming more purpose driven as an organisation and looking for ways to deliver benefit to wider society as well as serving our customers. Our business improvement activities put the organisation on a strong footing to do that.

Our People and our Communities



This year saw significant effort directed towards our response to the COVID-19 pandemic; with a focus on ensuring our people were kept safe, supporting their needs throughout the pandemic and managing the transition to being a mainly ‘home working’ organisation.

In addition, we continued to deliver our People Strategy programme of activities, designed around the eight themes of the NNL HR Life Cycle as outlined below. Working collaboratively with employees from across the organisation we have delivered significant changes to enable and improve organisation performance and enhance our employee experience.

The last year has also seen us take important steps forward to embed our Equality, Diversity and Inclusion strategy and increase our focus on employee health and wellbeing.

Define

Our workforce skills assessment exercise has reviewed our current technical skills and capability levels and looked at our requirements for the next five years, as well as helping to inform discussion on the outlook for skills in the longer term. Time and effort have been invested in our succession planning for scarce skill technical roles and we have undertaken a review of our Early Careers programmes for apprentices, graduates and post-doctorate joiners to ensure these provide the best foundation for entry to the business and the wider nuclear sector.

Externally we continue to contribute to the NIC skills landscape review by providing an overview of NNL’s current capability and capacity across the entire nuclear fuel cycle. We also have contributed to the alpha capability and capacity review, which aims to understand the fragile skills picture in the UK with regard to handling and working with Special Nuclear Material. In addition, we co-chair the NSSG ‘Staying at the Cutting Edge’ theme that focusses on higher level nuclear skills and innovations required to deliver our sector’s future aspirations.

Attract

During the year we attended a number of virtual Early Career showcase events and we were proud to recruit 20 apprentices into the business. We were also able to move all of our work experience placements online and participate in virtual education outreach events throughout the year.

Despite facing the significant undertaking of running all of our attraction and selection processes online for both graduates and apprentices, for the year ahead we are planning to recruit a further 20 apprentices and in addition will recruit 20 graduates to our refreshed and relaunched graduate programme. We are also launching a specific Early Careers programme for post-doctorate candidates, many of whom have recently completed a nuclear-related PhD. As a result of changes made during this year, all of our Early Careers intake are now recruited on permanent contracts to ensure they have no worries or concerns about the certainty of employment on completion of their programme.

This year we have launched a number of new career management resources; all of our Early Careers colleagues attend a Development Centre which provides them with a personal development plan and a mentor to integrate them into their first role. We have also produced a personal development course called ‘Becoming Me’ and a series of career podcasts to showcase career pathways within our organisation. And finally, we have embedded Early Careers coordinators through our Delivery Operations organisation to further assist in the integration of our Early Careers people as they enter into their business function.

Acquire

Our NNL Values and Behaviours have been embedded within our NNL interview process to ensure we recruit individuals who will embody the culture and mindset we wish to create in our organisation. To date around half of our line managers have been trained in the new interview approach, with the rest of our leaders to receive training during 2021.

Despite the challenges of the year we have welcomed over 170 new employees to NNL. Our induction programmes have moved online and a survey of new employees told us joiners were very positive about the onboarding experience.

Deploy

We have placed a focus on our succession planning processes to ensure we have resilience in the skills and knowledge required for our organisation’s safe, effective and efficient delivery of our ten year plan.

We now have succession plans in place for our senior leaderships roles and these are now being used proactively to help shape individual development plans. A succession planning process has been developed and rolled out to our Delivery Operations teams to identify our critical technical roles and inform the conversations to ensure we have the talent with the right skills, knowledge and experience available for these roles in the short, medium and longer term future.

Looking outwards to the UK nuclear sector, we continued to work closely with other organisations in the nuclear sector to offer – and take advantage of – secondment opportunities. This includes providing inter-project exchanges such as through the Alpha Resilience Capability project as well as to BEIS and NIRO, as well as colleagues on secondments to the British Embassy in Tokyo and to AIRTO (the Association of Innovation, Research and Technology Organisations).

We were delighted once again that two of our colleagues were selected as finalists at the prestigious Nuclear Skills Awards, held in March 2021. Sam Lyons won the title of Nuclear Graduate of the Year, succeeding his NNL colleague

Amr Salah who won the previous year, and Beth Sunderland was a runner up in the category of Higher & Degree Apprentice of the Year. NNL as a company was a finalist in the category for ED&I achievement, and we were proud to sponsor the STEM Ambassador of the Year Award.

Additionally, we saw success at awards held as part of Gen2’s National Apprenticeship Week. Ben Agnew was the winner of the Learner Extra Mile Award, and Sam Wright was nominated for the Learner Journey of the Year Award.

Senior Research Technologist, Dr Stephanie Thornber, was named as the 2020 winner of the European Nuclear Society’s prestigious High Scientific Council (HSC) PhD award.

Engage

NNL believes in and encourages an environment of open communications with all our employees; in normal times we would have been sharing regular business updates through face to face and online channels including monthly leadership calls, two all employee ‘roadshow’ briefs and three face to face leadership events.

In place of our usual schedule of communication and engagement events, this year we have held regular ‘virtual’ leadership, site specific and ‘all employee’ engagement events to maintain connectedness and provide the opportunity for discussion whilst many of us continue to work remotely.

Our monthly Trade Union Forum is now an established part of our HR calendar that allows us to keep Trade Union colleagues up to date and closely involved in what is happening in the business, so that together we can continue to make NNL a great place to work.

We have completed the procurement process to identify and engage a supplier for a new engagement tool to be launched in 2021. This will enable us to better reach out to employees on any issue, and the insights provided by advanced data gathering and analysis capabilities will help inform our approach and decision making on people related issues.

We have continued our central commitment to engagement across the business, and employees continue to make up the project teams delivering the activities within our People Strategy. As we introduce the concept of a ‘purpose led’ organisation, we have held workshops with groups of employees to discuss what this means for us, as well as starting to explore how our purpose should be reflected in our employee value proposition; the ‘what it means’ and ‘what it feels like’ to work at NNL.

COVID-19 Response

Throughout the COVID-19 pandemic we have prioritised employee safety and placed an emphasis on mental and physical health and wellbeing. The decision that all employees would remain on full pay and that NNL would not use the government’s furlough scheme was communicated early in our response, and we created a series of booking codes to assist employees with dependent and childcare responsibilities.

We have monitored employee sentiment and areas of concern through quarterly COVID surveys and have worked closely with our Trade Union colleagues to shape our response; providing employee resources, emotional intelligence and personal resilience training, line manager support materials, raising awareness of our Employee Assistance Programme (Lifeworks) and making use of communications channels such as our text service, NNL emergency line and a newly-created employee page on our external NNL website.

Looking to the post-COVID future we are now busy shaping a new ‘hybrid’ working scheme that will maximise the benefits of home and office-based working for both the business and the individual. This work will include redesigning our office spaces to reflect modern ways of working and to inspire creation and innovation by putting an emphasis on collaboration and teamwork.

Our hybrid working scheme will continue to encourage flexible working wherever practical, to give our people the opportunity to better balance their work and personal/family commitments. NNL supports part-time working, with over one tenth of our workforce on part-time hours of some form.

Equality, Diversity and Inclusion

We have continued to make progress on the delivery of our Equality, Diversity and Inclusion agenda. In June we launched our first NNL ED&I Strategy and undertook the National Equality Standard (NES) assessment for eventual accreditation of our programme against UK industry standards. Towards the end of the year we were pleased to learn that we’d successfully achieved NES accreditation at the first attempt.

Our 2020 Gender Pay review report has been produced and demonstrated good progress on some key input measures. As we continue to strive towards the Nuclear Sector Deal target of 40% of employees being women, the number of NNL employees identifying as women is currently 28%, against a current industry average of 22%. Encouragingly, women accounted for 35% of our new starters in 2020. Our percentage of women in lower graded roles has increased to 38%, reflecting an increase in women joining through Early Career programmes, and the proportion of women within our Professional Services teams has increased to 30%. We still have a lower percentage of women in senior technical and laboratory roles which are still predominately being performed by men.

Our mean gender pay gap has actually increased slightly in the last 12 months from 9.1% to 10.9% as a result of some senior female leavers, however this gap remains lower than the national average pay gap of 15.5%, and lower than known pay gaps for other organisations within the UK nuclear industry.

During the year almost all employees from across NNL completed the ED&I e-learning module, and our ED&I representatives continue to provide input into all our people working groups. Our ED&I team has run a monthly quiz for all employees that has brought the company together for some competitive but light-hearted fun on the final Friday of every month!

We were delighted to be nominated for the National Skills Academy for Nuclear (NSAN) Outstanding Company Contribution to ED&I Award and we have continued our sponsorship of the annual Women in Nuclear Event at which Leah Etheridge was nominated in the category of Champion of the Year. NNL is proud to be continuing our sponsorship of the Women in Nuclear Event into 2021. And our leadership in this field extends internationally too, with NNL partnering with UK government in support of the IAEA Marie Skłodowska-Curie Fellowship programme, aiming to grow the number of women working in nuclear and to drive global innovation.

Health and Wellbeing

We have continued to work towards the delivery of our five existing health and wellbeing workstreams and have appointed our first NNL Health & Wellbeing Manager to raise awareness and promote the importance of positive physical and mental health and wellbeing. We continue to support our employees by providing a range of resources, including access to a free 24-hour employee assistance programme - Lifeworks - where employees and their families can access confidential support on a range of topics, from coping with difficult personal situations to managing finances.

Develop

This year we have developed a new leadership competency framework that integrates leadership behaviours alongside nuclear safety, and we have begun the design and delivery of our NNL Leadership Development Programme based around this framework. The programme will be run at three levels and will be piloted in mid-2021 before a formal launch later in the year. The Leadership Development Programme will complement and align with our Delivering Excellence programme and our work around NNL becoming a purpose-led organisation.

To supplement the Leadership Development Programme for all, we have launched targeted leadership training at different levels of the organisation.

- A focused development programme for our Executive Leadership Team to ensure that individually and collectively this group understand their role and purpose as leaders and are providing the best strategic leadership for the business
- Targeted interventions at Senior Leader and Middle Manager levels for employees highlighted as having potential to progress beyond their current roles to support them in understanding their key strengths and areas for development

We have also continued to deliver a programme of self-nominated Behavioural Skills modules, which were focused this year on personal resilience and emotional intelligence.

Our new Career Lab has been developed to offer employees a fantastic range of resources that will support their career development planning; from identifying their next training courses through to planning longer term career steps. This will be rolled out across the organisation in the coming year. As a part of supporting employee development, we also continued to develop our annual Performance Development Review process to directly incorporate our NNL values and behaviours.

Sadly, we were unable to offer face-to-face classroom training during the year, due to COVID-19, but our employees undertook a wide range of online 'eLearning'.

Separate

Our new leavers process has now been in operation for 12 months. In addition to ensuring a consistent leaving process and providing us with an opportunity to thank leavers for their contribution to our organisation, leavers interviews have provided us with a rich source of information and feedback from which we have been able to identify key themes and consider changes that will improve the employee experience for others.

Our attrition rate for 2020/21 was 4.6%. This was down on the previous year's rate (6.6%).

Measure

We have begun the process of reviewing all of our people policies and processes, starting with our family friendly policies to ensure they reflect the modern work experience. This activity will continue next year in collaboration with our Trade Union colleagues.

We continue to develop our approach to optimise our analysis, reporting and presentation of data and information to inform decision making. This year we have worked collaboratively with Technology & Digital Change colleagues to design training for the team and identify functionalities that will improve our use of the Enterprise Resource Planning management system.

4.1

Working With Local Communities

NNL has always maintained a programme of Corporate Social Responsibility (CSR) and outreach activity focused predominantly on supporting Science, Technology, Engineering and Maths (STEM) in and around the communities where our facilities are based and where our people live. Obviously, this has been especially challenging during the year due to the constraints of the COVID-19 pandemic, which have prevented such activities from taking place face-to-face. Nonetheless we have continued to support such activity as far as was practicable whilst looking forward to the opportunity to resume face to face interactions.

Our activity this year included:

- We continued to offer structured week-long work experience placements to young people. Instead of hosting them in our facilities we moved the activity online and refreshed the programme content accordingly. Feedback was extremely positive
- We hosted twice as many students as usual for the Cumbrian-based Dream Placement initiative. Again this was moved to a scheme delivered remotely this year, but we took advantage of the changed format to offer the scheme to four students instead of the two we've previously hosted, and gave them a broader view of our work encompassing several sites
- Fresh fruit, which would normally have been provided free of charge to our colleagues in our workplaces, has instead been donated to local food banks, since several of our workplaces have been largely empty throughout the year

During the year we also supported and encouraged a number of NNL employees to support STEM and outreach activity taking place remotely - such as careers fairs and virtual visits into schools, and we know that significant extra support was provided by our people in their own time.

NNL is also an active supporter of Women in Nuclear (WiN) UK. NNL were the Industrial Partner of WiN for 2020, which saw the two organisations work together to address the industry's gender balance and improve the representation of women in leadership. Of our employees, 28% are female, and many (both female and male) are members of WiN. Of our seven locations, four - including the two largest - already hit or exceed the Nuclear Sector Deal target of 40% of staff being female. And four of NNL's ten Board members are female - matching the Sector Deal target.

Future strategy development work will focus on Sustainability as a core NNL strategy and NNL's work with local communities and CSR activities will be encompassed within it.

Governance Statement



The governance statement is intended to give a clear understanding of the dynamics of the business and its control structure. NNL is not required to comply with the provisions of the UK Corporate Governance Code (“The Code”) but does aim to adhere to the Code where practicable. This governance statement therefore explains how NNL has complied with the principles of good governance and how it reviews the effectiveness of these arrangements.

NNL occupies a rare position; it is a private company limited by shares that are owned by government and fulfils a national purpose whilst operating by being funded solely by its revenues; it is classified by ONS as a Public Corporation. Despite being in receipt of no grant funding from government, NNL must comply with the provisions of Managing Public Money to the extent that they apply. This Governance Statement therefore complies with NAO good practice guide for Governance Statements to the extent that it is relevant and meaningful to NNL.

Governance Framework

(inc. modern slavery statement and gender pay reporting)

The Department of Business, Energy and Industrial Strategy (BEIS) is the owner of the National Nuclear Laboratory Limited (NNL). Its shares are held by NNL Holdings, the primary role of which is to act as NNL’s parent company and finance strategic investments in the NNL business. BEIS manages its ownership of NNL through UK Government Investments Ltd (UKGI). The role of UKGI is to advise ministers on the management of the government’s interest in NNL and a UKGI representative is a member of the Board.

The Board has responsibility for maintaining a sound system of internal control that supports achievement of NNL’s policies, aims and objectives, whilst safeguarding NNL’s assets. The Board supports high standards of governance and, in so far as is practicable given the business’s size and status, has, together with UKGI, continued to develop the governance of the business in accordance with the UK Corporate Governance Code and Managing Public Money (MPM).

The NNL Board considered the changes to the UK Corporate Governance environment and agreed that NNL should adhere to the 2018 UK Corporate Governance Code where practicable. NNL, BEIS and UKGI also agreed a Framework Document on 15th August 2019 that sets out, inter alia, how NNL will comply with the principles of MPM, including a requirement that NNL will apply public sector disciplines in relation to financial and risk management. The obligations

of the Framework Document supplement those of the UK Corporate Governance Code. NNL’s governance arrangements were refreshed accordingly through 2019 to reflect the combined requirements and have continued to evolve through 2020 as agreed changes came into full effect.

Specifically, NNL is committed to preventing modern slavery and human trafficking. NNL will not tolerate the abuse of men, women or children and strives for total transparency right through its business and supply chains. Accountability is assigned to the NNL Chief Financial Officer with the Procurement Team undertaking day to day management. NNL’s Slavery and Human Trafficking Statement for the financial year ending 31st March 2021 (made pursuant to section 54(1) of the Modern Slavery Act 2015) has been approved by the NNL Board and is published on the NNL website (www.nnl.co.uk).

NNL reported its gender pay gap analysis in March 2021 pursuant to the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017; the results were as follows:

	2020 Mean	2020 Median	2019 Mean	2019 Median
Pay	10.9%	16.9%	9.1%	16.8%
Bonus	13.8%	0.0%	14.3%	0.0%

Implementation of a multi-stranded action plan to help us to reduce the gender pay gap in our workforce is underway. The plan is overseen by a senior management team to ensure actions are implemented, monitored and evaluated. Our objective is to reduce our gender pay gap year on year with a view to ultimately eliminating it. Progress through the year has been encouraging, however, as a result of some staffing changes in senior management the gender pay gap increased from 9.1% in 2019 to 10.9% in 2020 (11% in 2018); while this performance is sector leading, there clearly remains scope for further improvement.

NNL is fully compliant with the General Data Protection Regulations (GDPR) and implementation of the Alexander Tax Review into the tax arrangements for public sector appointees. NNL’s quality system framework also includes the necessary QA controls required by the Macpherson recommendations that are applicable to the development of all business-critical models.

5.2

Board and its Committees

At the end of the 2020/21 FY, the Board of Directors comprised a Non-Executive Chairman, four further Non-Executive Directors and five Executive Directors (the Chief Executive, Chief Financial Officer, Chief Customer Officer, Chief HR Officer and Chief Science and Technology Officer).

The Board met 14 times in 2020-21, including Board workshops in September and December and Special COVID-19 Boards in April and May 2020 (2019-20, 12 times). All of these meetings took place virtually due to the constraints of COVID-19. Attendance by member at the Board and Committee meetings are set out in the table below.

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

Name	Position	Board	ARAC	EHSSC	Remuneration Committee	Nomination Committee	TAB
Sir Andrew Mathews	Chairman	14	-	-	8	3	-
Paul Howarth	Chief Executive Officer	14	-	-	-	-	2
Clare Barlow	Chief HR Officer	14	-	-	-	-	-
David Beacham	Chief Customer Officer	14	-	-	-	-	-
Iain Clarkson	Non-Executive Director	14	4	2	8	3	-
Claire Flint	Non-Executive Director	14	-	-	8	3	-
Stephen Garwood*	Non-Executive Director	11/11	3/3	2	7/7	3	3
Matt Miller	Chief Financial Officer	14	-	-	-	-	-
Anna Payton	Non-Executive Director	14	4	2	7/7	3	3
Fiona Rayment**	Chief Science and Technology Officer	9/9	-	-	-	-	3
Andrew Sherry***	Chief Science and Technology Officer	5/5	-	-	-	-	-
Mike Weightman ****	Non-Executive Director	3/4	1/1	-	2/2	1/1	-
Number of meetings		14	4	2	8	3	3

+ Including Board workshops in September and December 2020.

* Appointed 19 May 2020

** Appointed 1 July 2020

*** Resigned 1 July 2020

**** Resigned 31 May 2020

The Role of the Board

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

The Board sets NNL’s values and standards and ensures that its obligations to its shareholders and others are understood and met.

The role and responsibilities of the Board include:

- Oversight of the company’s environmental protection, health and safety, security and quality performance and management promoting exemplary performance
- Approval of the annual strategy, ten year plans and budget
- Oversight of the corporate risk register and internal control systems
- Oversight of business performance
- Approval of major contracts and capital expenditure
- Approval of remuneration systems for senior executives, including performance related pay, reviewing workforce remuneration and related policies and ensuring alignment with organisational culture
- Approval of Senior Executive appointments
- Performance appraisal of Executive Management plus succession planning
- Scrutiny of financial accounts through the Audit Committee
- Compliance with statutory requirements
- Annual evaluation of its performance and that of its committees
- Quality information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. All Directors have access to independent professional advice, at NNL’s expense, if required
- The Board of Directors confirms that it considers the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provide the information necessary to assess NNL’s performance, business model and strategy

The NNL Framework Document stipulates that the Board is also responsible for:

- Establishing and taking forward the company’s strategic aims and objectives consistent with its overall strategic direction and within the policy and resources framework as appropriate determined by the Secretary of State
- Appointing with the responsible Minister’s approval a CEO and, in consultation with the Department, setting performance objectives and remuneration terms linked to these objectives for the CEO which give due weight to the proper management and use and utilisation of public resources

Board Review

An independent Board review conducted in 2020 concluded that the Board had progressed significantly since the last independent Board review conducted in 2017. An action plan has been agreed for implementation through 2020/21.

The review concluded that the Board takes its responsibilities seriously and continues to operate in a professional manner. The Board has made significant and very positive improvements in the governance of the business since the last external Board review. Changes to both executive and non-executive Board membership have also strengthened the capability of the Board. Together these have enhanced its capability to provide detailed scrutiny of the business and further enhanced the confidence of the business that it has a sustainable future in an ever-changing nuclear market. The review made a number of recommendations to help the Board continue to develop its ways of working and its leadership of the NNL organisation through the current period of change.

Audit, Risk & Assurance Committee (ARAC)

The ARAC is responsible for the assessment and management of risk in support of the NNL Board and for the independent assessment of NNL’s control environment. The role of the ARAC is to critically challenge and review the effectiveness of the controls to ensure they are adequate in meeting the requirements of compliance, operations, corporate governance and information management. The ARAC is also responsible for reviewing the Financial Audit of the business as undertaken by the auditors of NNL.

The ARAC comprises three Non-Executive Directors and is chaired by a Non-Executive Director, currently Iain Clarkson. The Committee invites Executive Directors, the Head of Independent Assurance, and senior representatives of the external auditors to attend meetings as and when appropriate.

The Committee met four times in 2020-21, reviewing and endorsing the annual statutory accounts for Board approval. The ARAC and auditors worked together to undertake an enhanced assessment of the Going Concern that concluded that the level of risk faced by NNL in the current environment was low, but that ongoing assessment should continue.

The ARAC reviewed the progress of overall business controls through the annual review of Independent Assurance (IA). Key themes were identified, all with underlying Return to Green activities. Planned activities and management sponsorship of the planned interventions for the following financial year were endorsed.

The ARAC reviewed and endorsed for Board Approval a revised approach to risk management for the business, risk appetite statements, a risk assessment and scoring matrix, and the operation of the Risk Management committee. The ARAC has increased scrutiny of the business approach to risk management, reviewing the development of a consistent tool and reporting methodology. The committee has, and will continue, to nurture the development of NNL approaches into mature risk and opportunity management process.

Remuneration Committee

The Remuneration Committee is responsible for NNL's remuneration policy and determines the pay and remuneration levels for the NNL Executive Team that reports directly to the CEO; it also oversees major changes to employee benefit structures and employment matters. The committee's work is undertaken with reference to the NNL Framework Document and government pay guidelines where they apply.

The Remuneration Committee comprises five Non-Executive Directors and is chaired by an experienced HR professional Non-Executive Director, currently Claire Flint. Executive Directors are invited to attend meetings as appropriate (other than when their own remuneration and/or terms and conditions of employment are under discussion).

The Committee determines the appropriate performance conditions for NNL leadership personal bonus scheme awards. These are based on a balanced scorecard of metrics, achievement of key results that deliver NNL's strategy, and the way in which these results were accomplished. NNL staff are public servants and are subject to public sector pay and conditions as set out in the Framework Document. This stipulates that appointment of the CEO is subject to Ministerial approval and that NNL salaries will not exceed that of the CEO, thereby setting the strategic rationale for the NNL remuneration policy. A Trade Union Forum, chaired by a Board Director, formally represents the views of most employees and leads negotiation of wider pay policy.

The Committee met eight times in 2020-21 to consider Executive performance and reward and provide oversight of wider remuneration matters. In recognition of the unprecedented challenges presented by the COVID-19 Pandemic to Company performance and the prevailing economic conditions, RemCo had five special items meeting to discuss bonus payments for financial year 2019-20 and the design of the schemes for 2020-21. Factors internal and external to NNL were thoroughly considered and decisions were ultimately made in consultation with BEIS after careful consideration of wider government guidelines and the forecast cash NNL position.

The Committee also considered industrial relations and employee engagement. Current engagement strategies in place across NNL were reviewed and progress monitored in implementing a new Employee pulse survey tool. Three self-managed Employee surveys conducted in 2020 were reviewed and actions taken noted. Adherence to IR35 legislation was monitored; pension scheme membership, liabilities, and future provisions reviewed; and key remuneration metrics considered.

Nominations Committee

The Nominations Committee is responsible for advising the NNL Board on matters relating to NNL's leadership requirements and the Board's succession planning requirements. The Committee is responsible for recruiting the best qualified candidates for the Board of Directors and the NNL Executive; recommendations are made to the Board for its approval and onward recommendation to the Shareholder. The Shareholder is responsible for appointing the Chair, Non-Executive Directors and for approving appointment of the Chief Executive Officer.

The Nominations Committee comprises five Non-Executive Directors and is chaired by the Chair of NNL, currently Sir Andrew Mathews. The Committee invites Executive Directors to attend meetings as and when appropriate.

The Committee met three times in 2020-21 and considered the approach to Executive succession planning, organisational culture and, succession priorities. The Committee approved the appointment of Fiona Rayment as an Executive Board Member, endorsed the selection of Claire Flint as Senior Independent Director following the resignation of Mike Weightman, and noted the appointment of Stephen Garwood as a new Non-Executive Director. In preparation for the completion of the Chair's tenure in 2022, the Committee also initiated preparatory work to support the selection and appointment of a new Chair in a process that will be facilitated by UKGI and BEIS.

Technical Advisory Board

The Technical Advisory Board (TAB) is not a formal Board subcommittee but it was established in 2014/15 to provide advice to the NNL Board and Executive Leadership Team on the impact of Science, Technology and Engineering in underpinning NNL's strategy. The remit of the TAB is to ensure that funds invested in NNL's Research and Development programme are invested in the best topic areas and that NNL's quality of science and engineering is of an appropriate standard for a national laboratory.

The TAB is chaired by a Non-Executive Director. Stephen Garwood succeeded Mike Weightman as chair in July 2020. TAB membership was also refreshed in 2020 and includes representatives of strategic partners from academia, Government (the BEIS and MOD Nuclear Chief Scientific Advisors) as well as industrial organisations including EDF Energy, Sellafield, UKAEA (Culham) and NDA. Representatives from other organisations are invited as appropriate, particularly overseas national laboratories.

TAB stakeholders were engaged through 2020-21 to improve its effectiveness and future focus. Key changes included focussing on key UK nuclear sector challenges, improving links with the Board and the NNL business, and enhanced thought diversity. The Committee met three times in 2020-21 and considered NNL's refreshed S&T agenda, its links to the wider NNL strategy, and the development of the Clean Energy Focus Area.

Environment, Health, Safety & Security Committee

The Environment, Health, Safety & Security Committee (EHSSC) was established from the previous Assurance Advisory Board to maintain Board oversight of environmental, health, safety and nuclear security matters. The committee assesses the operating environment, policies and procedures in respect of Environment, Health, Safety and Security activities and associated risks to provide the Board with assurance that the business is undertaking all required actions to achieve its objectives in these areas.

The EHSSC is chaired by Stephen Garwood and met twice in 2020-21 to agree the assurance programme, review the assurance dashboard, and consider annual reviews of assurance and data protection. To cement its close relationship with the ARAC and largely common membership, it was agreed that EHSSC meetings will in future be coordinated and aligned with ARAC meetings.

5.3

Executive Leadership Team

The Chief Executive Officer has primary responsibility for the day-to-day management of the business and discharges his responsibilities through an Executive Leadership Team (ELT), whose membership is made up of the Executive Directors leading the business.

The ELT meets formally on a regular basis and not fewer than 12 times a year. The roles and responsibilities of the ELT also include:

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

To enable the ELT to focus on driving implementation of the new strategy, it is intended that primary responsibility for day-to-day management of the business will formally transfer in 2021-22 to a new Business Performance Lead Team (BPLT) made up of business area leads and heads of functions. The BPLT has been in trial operation through 2020-21 in order to test the approach and determine how it should interface with the ELT. Formal transfer of responsibility will occur when the ELT is confident that mechanisms are in place to ensure that it can continue to fulfil its accountabilities with respect to business performance.

5.4 Risk Management

NNL's directors remain confident about the future of the business. Nevertheless, risks and uncertainties do exist which could adversely impact future financial performance. Risk and Opportunity has evolved significantly through 2020-21 as the new management approaches put in place in 2019-20 continue to mature.

Board risks are mapped against Executive risks which are themselves linked to the risks emerging from, and being managed by, the business. Board reporting is structured against the Board risks which are captured in a Board Risk Register which is itself reviewed on a regular basis. Deep dives are conducted into individual risks at each Board meeting; actions are placed, and the risk register updated accordingly.

The Executive risks are managed via a Risk Register which is reviewed regularly and informed by functional/ operational risks that are managed via a Risk Management Committee. Risk mitigation is also a key consideration in the strategic planning process and informs annual objective setting; progress in the delivery of business objectives is routinely monitored by the Executive.

EU Exit

The risks to NNL of the UK's exit from the EU were assessed, mitigations established, and the impact on decision making tested through a business continuity exercise. Although the controllable operational risks to NNL were mitigated so as to be manageable, it was recognised that the wider impacts on the economy could potentially impact NNL. NNL maintained a close relationship with BEIS who independently assessed that the risk to NNL was low.

Upon EU exit, the Board believed that NNL was as well prepared as it could have been with all resources in place. To date no significant impact has manifested itself and none is expected.

COVID-19

COVID-19 was considered to represent a special Board risk and was managed via a business continuity approach with close engagement with stakeholders including NNL people, customers, BEIS and host Site License Companies/local communities. This matter is considered further under the Section 172 statement.

Climate Change

NNL's laboratories are located on nuclear licenced sites and are leased from the host Site Licence Companies. Utility provisions to the laboratories are integrated into the arrangements for the wider site and NNL is dependent upon the hosts for supply. Nevertheless, NNL's accreditation to ISO 50001 and ISO 14001 demonstrates its commitment to energy management and protecting the environment. Future strategy development work will focus on Sustainability as a core NNL strategy and NNL's approach to Climate Change will be encompassed within it.

The UK government's target to bring all greenhouse gas emissions to net zero by 2050 presents a significant strategic opportunity for NNL. The Prime Minister's 'Ten Point Plan for a Green Industrial Revolution' and the subsequent Energy White Paper clearly set out that nuclear energy will be central to achieving this target. NNL's new purpose and strategy were developed accordingly, to develop advanced nuclear technologies with the potential of contributing to future electricity and hydrogen supply to meet this objective and benefit society in a practical, cost effective manner.

The approach to risk management at Board level has also matured through early operation of the ARAC and EHSSC. Board risks were reviewed twice through 2020-21, resulting in changes to the principal risks considered by the Directors which are considered to be in the areas of:

Board Risk	Summary Description	Summary Mitigation
Safety, Security, and Safeguards	Significant EHSS&Q incident occurs at NNL OR major nuclear accident occurs worldwide which undermines confidence in nuclear	<ul style="list-style-type: none"> • Provide visible EHSS&Q leadership • Deliver EHSS&Q strategy, culture and performance • Share and learn from best practice (nuclear and non-nuclear community)
Machinery of Government / Policy changes	Change in governance or policy or loss of shareholder confidence	<ul style="list-style-type: none"> • Manage relationships and maintain a broad base of support • Deliver business targets and strategic objectives and fulfil role as national lab
Financial & Commercial Sustainability	Failure to deliver business operational performance targets (Budget / 10yr Plan)	Deliver business targets and strategic objectives
Stakeholder Relationships	Overall relationship with key customers and stakeholders is not optimised	Effective relationships with customers and stakeholders at all levels
Sellafield	Relationship not optimised and/or an issue, incident or development impacts the other party	<ul style="list-style-type: none"> • Manage all facets of complex relationships at all levels • Deliver commitments
Strategic Implications	Failure to execute or deliver against the Business Strategy and business objectives	<ul style="list-style-type: none"> • Monitor evolving environment, engage with stakeholders and adapt strategy accordingly • Adapt business to effectively deliver • Effective strategic governance
Resourcing & Capability	Failure to put in place people, critical infrastructure, equipment & IT required in future, to develop or maintain key capabilities and strong industrial relations	<ul style="list-style-type: none"> • Deliver people, S&T and facilities strategies • Manage succession, remuneration and industrial relations • Responsibly manage operation of large-scale, high hazard nuclear facilities
Analytical Services	Uncertain project scope entailing significant facility changes, uncertain commercial and delivery model/implications	<ul style="list-style-type: none"> • Develop/define project scope and deliver agreed milestones • Manage stakeholder relationships
Cyber Security	Significant cyber security compromise against NNL	<ul style="list-style-type: none"> • Provide visible leadership • Deliver cyber strategy, culture and performance • Share and learn from best practice
Pandemic	Impact to business operation of a potential future pandemic	Effective business continuity arrangements and stakeholder relationships
Facilities	Failure to invest in facilities at required rate to meet future requirements of UK Energy and Defence requirements	<ul style="list-style-type: none"> • Appropriate investment in critical nuclear infrastructure • Proactive asset management regime

Internal Controls

NNL operates a proactive approach to internal controls that is designed to manage risk to within risk appetite levels. The system of internal controls is aimed at ensuring business objectives are achieved and risks against them are minimised through the application of approved policies and processes. A structured three lines of defence model is employed through the business to ensure controls are adhered to. The success of this model is verified through an Internal Regulator, Independent Assurance. Throughout the year the Independent Assurance team undertakes a number of interventions that are aimed at providing additional assurance to the Directors of the Business that internal controls are effective.

The three lines of defence model 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

The Board is satisfied that the management information it receives is of high quality as a result of the:

- Assurance mechanisms that are in place, including the newly established internal compliance and assurance function, the ARAC and the EHSSC
- Accreditation, certification and regulatory environments within which NNL operates
- Findings from external audits
- Feedback from the TAB, which includes representatives of strategic partners from academia, government and industrial organisations

The Board meets with customers, government stakeholders, shareholder representatives, and NNL people and feedback is sought to validate the quality of the information used by the Board.

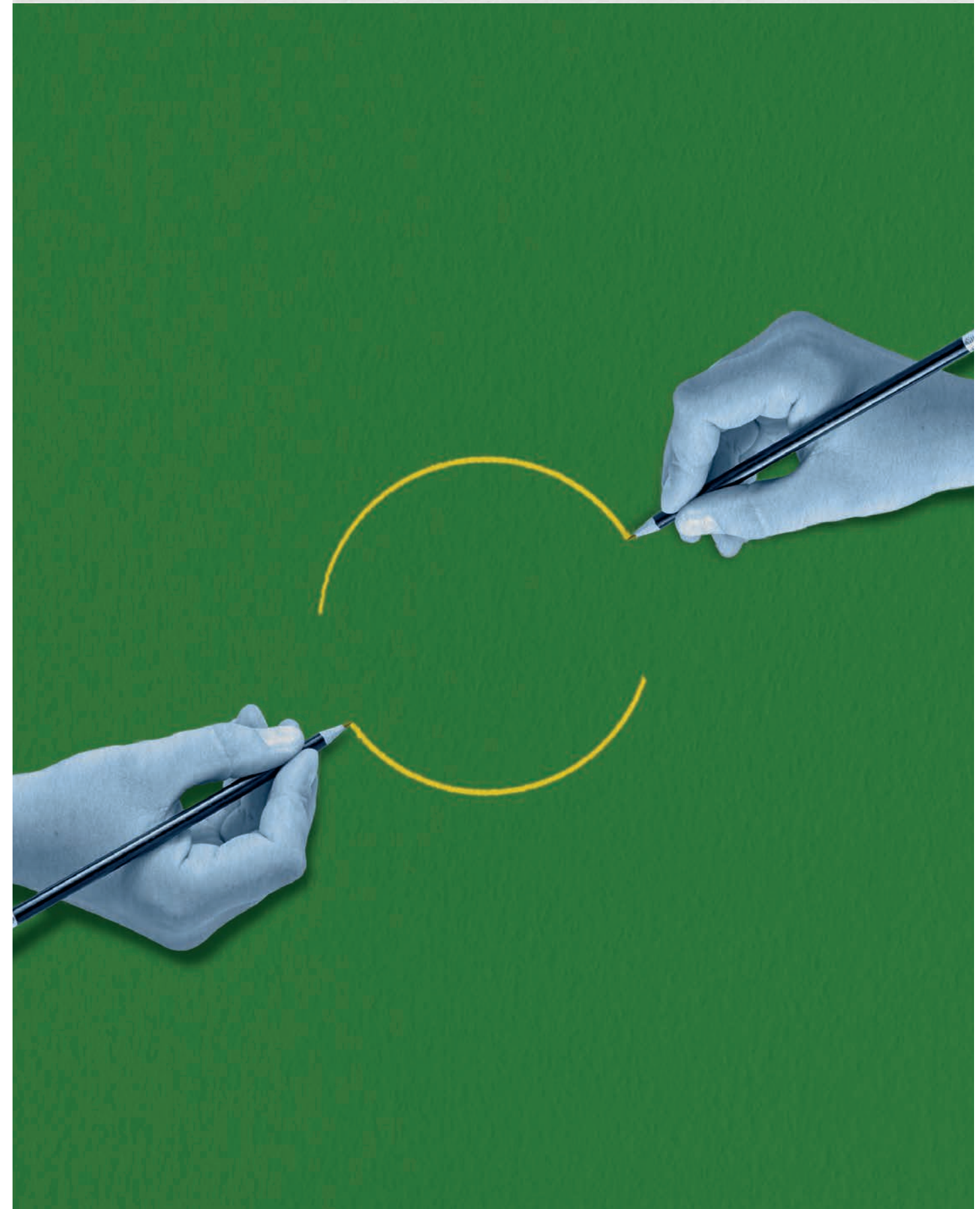
Approval

This report was approved by order of the Board.

David Dukes
Secretary

30th July 2021

Directors



6.1

Directors

The Directors present their report together with the audited financial statements for the year ended 31 March 2021.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Sir Andrew Mathews KCB FREng	Chairman
Paul Howarth FREng	Chief Executive Officer
Clare Barlow	Chief HR Officer
David Beacham	Chief Customer Officer
Matt Miller	Chief Financial Officer
Fiona Rayment OBE, FREng	Chief Science and Technology Officer – appointed 1st July 2020
Andrew Sherry FREng	Chief Science and Technology – resigned 30th June 2020
Iain Clarkson	Non-Executive Director
Claire Flint	Non-Executive Director
Stephen Garwood FREng	Non-Executive Director – appointed 19th May 2020
Anna Payton	Non-Executive Director
Mike Weightman CB FREng	Non-Executive Director – resigned 31st May 2020

Directors’ Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (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 the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- Make judgements and accounting estimates that are reasonable and prudent
- 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 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.

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 Companies Act 2006.

Results

The Statement of Comprehensive Income is set out on page 44 and shows the profit for the year. A detailed review is set out in the strategic report.

The directors do not recommend the payment of a dividend (2020 - £Nil).

Support for People with Disabilities

Job applicants and NNL employees with disabilities will have the same consideration for job vacancies as any other candidates. NNL is committed to a policy of equal

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

Employee Involvement

It is NNL’s policy to encourage employee involvement as the directors consider that this is essential for the successful running of the business. NNL keeps employees informed of performance, developments and progress by way of an intranet, e-communications, newsletters and briefing sessions. Employees are represented by trade unions. Additional information can be found in the “Our people and our communities” section.

Charitable and Political Contributions

The COVID-19 pandemic curtailed any significant opportunities for NNL to participate in outreach projects, as planned. As a result, during the year, there was no significant expenditure on charitable donations to support community projects and for charities promoting Science, Technology, Engineering and Mathematics (STEM) subjects (2019/20 – £Nil).

NNL has a policy on not making political donations and consequently there were no political donations during the year (2019/20 - £Nil).

Insurance

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

Directors’ Insurance and Indemnities

The Directors have the benefit of the indemnity provisions contained in the Company’s Articles of Association (“Articles”) and the Company has maintained throughout the year Directors’ and officers’ liability insurance for the benefit of the Company, the Directors and its officers.

Financial Risk Management

Details of the Company’s financial instrument risk exposures and management is discussed in note 17 to the financial statements.

Research and development

During the year the company carried out research and development activity on behalf of its customer base and invested £2.0m (2020 - £2.4m) on its self funded programmes.

Future Outlook

The future outlook is discussed in detail in section 1.7 of the strategic report.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment at the forthcoming Annual General Meeting.

Directors’ Confirmations

All of the current Directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company’s auditors are aware of that information. As far as the Directors are aware there is no relevant audit information of which the Company’s auditors are unaware.

Section 172 Statement

NNL is a government owned national laboratory and a private limited company that operates major nuclear infrastructure. The Company seeks to maintain a reputation for high standards of business conduct through its bespoke set of values and behaviours. These values are embedded within NNL and put stakeholders interests at the heart of its business activities. As such, stakeholders play a key role in decision making. By thoroughly understanding our stakeholder groups, we can factor their needs and concerns into Board discussions. The NNL Board therefore engages extensively with a wide range of stakeholders (further information on our stakeholders is set out later in this Statement). The Board’s approach has evolved through 2020/21 and is expected to continue to do so into the future.

Principal Decisions – A Definition

NNL defines a Principal Decision as those pertaining to matters that require a significant amount of Board or subcommittee time and that affect the company in a significant way. Principal Decisions therefore typically include those relating to:

- Matters of strategic importance (e.g. restructurings, changes to strategy, investment decisions)
- Matters that are commercially material and of financial or operational importance
- Matters that will substantially affect NNL’s employees (e.g. decisions re COVID-19)
- Decisions on Board level policies

NNL processes were updated in 2020/21 to formally capture future Principal Decisions making and ensure stakeholder engagement requirements have been considered. Board paper templates incorporate sections identifying where a principal decision is being proposed and requiring completion of a Stakeholder Impact Assessment to support decision making.

Principal Decisions Through 2020/21

NNL’s Principal Decisions in 2020/21 were dominated by those relating to:

Matters of strategic importance

- Agreement of a Board Stakeholder Engagement Plan
- Development and early stage implementation of NNL’s new corporate strategy
- Development and approval of NNL’s new Science and Technology strategy (S&T Agenda)
- Approval of investment approaches across the business

Matters that are commercially material

- Agreement of significant long-term contracts with:
 - Rolls-Royce for Nuclear Propulsion Lifetime Management (NPLM)
 - Sellafield for the Replacement Analytical Services Project (RAP)
- A mandate for the renegotiation of the long-term Scientific and Engineering Support Services (SESS) contract with EDF Energy

Matters that substantially affect employees

- The risk presented to the business by COVID-19 and the business’ response, particularly with respect to its implications for customers, NNL people, and other stakeholders
- Post COVID opportunities and future ways of working
- Bonus arrangements and payments

Stakeholder interests and concerns were considered in Principal Decisions made through 2020/21. Some examples are set out below.

1. Agreement of Board Stakeholder Plan

Although stakeholder interests and concerns are routinely considered for matters that require Board approval, the Board recognised the opportunity to improve its strategic, systematic approach to engagement and the oversight that it provides to such activities conducted by the business.

The Board conducted several workshops to determine key stakeholder groups linked to NNL’s strategy and operations. These were identified as senior customer/Government stakeholders, the nuclear technical community/technical supply chain, NNL people, and governance stakeholders. A stakeholder management plan was agreed that sets out the Board’s approach, for example whether direct Board engagement is required and how this will be conducted, and is owned by a Board member. Executive and non-Executive Directors will work together in pairs, with each pair owning individual relationships with senior stakeholders in a particular group. Stakeholder management is a standard feature on

the Board agenda providing for oversight of wider NNL engagement activities and to agree messaging.

Particular attention has been paid to building the visibility of the Board with NNL people. The non-Executive SID acts as staff representative and leads on communications to promote a listening relationship between the Board and staff.

2. Agreement of Approach/Response to COVID-19 & Prioritisation of Customer Work through COVID

COVID-19 was considered to represent a special Board risk and was managed via a business continuity approach. A strategic level business continuity team engaged on key matters with the Board, in recognition that critical decisions made during this time could have considerable longer-term consequences for NNL.

The Board met on a bi-weekly basis from March ’20 through to mid-June ’20 to enable it to assess the implications of COVID-19 on NNL, determine and act upon the “going concern” and “employer risk and liability” implications, and assure itself regarding the adequacy of preparations and mitigations; the business continuity team was directly engaged in these discussions. The priorities, interests and concerns of a wide range of stakeholder groups were key to Board deliberations.

For example:

- NNL worked closely with customers to minimise the disruption to delivery of their programmes, to identify work of critical national importance, and to put arrangements in place to ensure that delivery of critical customer programmes could continue unabated
- NNL’s approach to managing the impact of COVID-19 was intimately linked to that of its host Site Licence Companies (Sellafield and Westinghouse) who were in turn engaged with local stakeholders with respect to regional matters; NNL also maintained a close relationship with the regulator
- As a government owned organisation, NNL’s response was also aligned with BEIS departmental guidance

The needs of the aforementioned stakeholders were carefully balanced by those of NNL’s people. Regular staff surveys were conducted to generate feedback from NNL people on the business’ response to COVID. The results were discussed by the Board and influenced decision making. The Board considered the impact of COVID-19 on vulnerable employees and agreed mitigations accordingly; assurance was also sought on the health and wellbeing of NNL people, both those working from home and those present in NNL facilities. Indeed, as the pressure of the third national lockdown mounted and in light of survey feedback, the Board agreed the health and wellbeing of NNL people to be the top priority through the final quarter irrespective of delivery pressures; NNL people and customers were advised accordingly

The Board monitored the cash position very closely. As a mitigation, the Board initiated work to establish availability of a working capital facility from NNL Holdings and monitored progress in its establishment.

2a. Opportunities Identified through the COVID Pandemic - Future Ways of Working

A particular focus of attention for the Board through 2020/21 has been on maximising the opportunities for the business and its people post COVID. Working groups were established to consider matters such as future working arrangements and future offices. The groups met directly with the Board to discuss their findings, which were taken into consideration in strategy decisions on these matters. It was agreed that a hybrid model will be adopted that maintains operational efficiency whilst recognising the need to provide greater flexibility for NNL people. The Board also directly engaged with further working groups of NNL people in order to support decision making on ED&I strategy and cyber security.

2b. Bonus Arrangements/Payments

The Board extensively discussed payment of 2019/20 bonuses and engaged with BEIS and TU stakeholders via the Forum. NNL performance through 2019/20 was very strong but government guidance discouraged payment of public sector bonuses. Following lengthy engagement with BEIS, the Board ultimately agreed a defensible and appropriate approach that was acceptable to all stakeholders. A similar approach was also adopted to agreement of the 2020/21 bonus scheme and for implementation of further aspects of Public Sector Pay Guidance in NNL.

3. Agreement of Strategy Plans

The Board agreed a new corporate strategy in 2019/20 which had been developed by working groups involving a cross-section of NNL people. Work through 2020/21 focused on strategy development and the Board met with the working groups on several occasions to provide direction. This work entailed close engagement with BEIS stakeholders and joint working groups were established involving NNL and BEIS staff. Representatives of the BEIS Nuclear Directorate (ND) and NNL working groups also participated directly in Board strategy workshops.

An NNL strategy working group prepared funding submissions for consideration in the 2020 Government Spending Review in partnership with a BEIS ND team; the applications entailed investment in NNL laboratories and strategic initiatives that are required to support the new corporate strategy and that involve investment in new product development in the areas of advanced reactors and health and nuclear medicine. The Board met directly with the NNL strategy working group to help shape the submissions. All of the submissions were supported by BEIS and significant funding was made available for investment in NNL’s laboratories through 2021/22. NNL and BEIS continue to work very closely together to secure release of this funding, and approval of further funding for NNL strategic initiatives.

A joint NNL/BEIS group is working through the wider implications of these developments on the future of the NNL business. The Board has been and will continue to be closely engaged in developing, shaping and approving all aspects of this matter.

NNL’s Quarterly Shareholder Meeting (QSM) has continued to evolve, driving improvements in the way in which NNL interfaces with Government stakeholders and facilitating development of close working relationships. The QSM is supported by working groups focused on Policy & Strategy and Governance & Performance and that meet routinely.

The Board supported NNL’s continued commitment to IRT0 and their participation in the UK Science Review by the Government Office of Science, the conclusions of which are reflected in NNL’s strategy.

3a. Approval of Investment Approaches

Cash generation and investment was a particular focus of Board attention. The Board agreed a capital allocation policy for NNL’s cash, and that investment from BEIS is required in the national facilities for which NNL is custodian. BEIS stakeholders were involved in the discussions leading to the aforementioned successful Spending Review submissions.

4. Approval of Customer Contracts

The Board sought assurance that the renegotiated NPLM contract for provision of services to the MoD programme had been subject to thorough governance approval, and that every option had been explored to maximise earnings whilst minimising exposure to risk. The Board engaged with BEIS and MoD stakeholders to ensure alignment of government stakeholders.

After seeking assurance that risks and opportunities had been thoroughly considered, the Board approved a mandate for the renegotiation of NNL’s SESS contract with EdF Energy for provision of services to the AGR reactor fleet. The NNL negotiating team engaged extensively with customer stakeholders in EdF Energy and the potential Sellafield customers who are expected to have an increasing long term need for the technical capabilities that are currently engaged on work for EdF Energy. The Board were kept abreast of the negotiations and were engaged in shaping and approving the commercial offer.

The Board took a close interest in the Sellafield RAP. This very significant opportunity constitutes a Board level risk which is routinely reviewed and subject to frequent deep dives. The Board approved changes to NNL’s lease for Central Laboratory to allow commencement of RAP construction works and agreed the associated commercial arrangements. The NNL team worked intimately with the Sellafield RAP team to develop pragmatic solutions to some complex legal/contractual matters. Board approval was granted following thorough consideration of the risks and the interests of NNL, Sellafield and their common owner, BEIS.

The Board calendar provides for meetings with key customer representatives each year as the Board visits NNL’s operational sites. It was not possible to implement this approach through 2020 due to COVID-19 restrictions which prevented visits to NNL sites. Nevertheless, the Board were

engaged in decisions regarding the prioritisation of customer work through the early phases of COVID and received regular updates from the business on delivery status, customer satisfaction and customer specific developments.

5. Agreement of Refreshed S&T Agenda

The Board reviewed progress against the S&T strategy and agreed the need to raise the profile of NNL S&T achievements. The Board also agreed a new S&T Agenda after seeking assurance that it reflects customer priorities. Internal stakeholders were extensively engaged in its development thereby engendering a high degree of energy and enthusiasm for it throughout the organisation. These included NNL’s strategy leads, technical community and Account Directors, who represented the interests of their government, academic and customer stakeholders respectively.

NNL Stakeholders

The NNL Board engages extensively with a wide range of stakeholders including:

- The Energy Minister, MPs, Lords and government officials in numerous departments
- Key customers and potential future customers
- NNL’s employees
- Regulators (e.g. ONR, EA)
- National research bodies (e.g. UKRI)
- Major international nuclear players, supply chain companies and SMEs
- International partners and governments
- Key institutions and associations (OECD, IAEA, NIA, CBI, AIRTO, Learned Societies)
- Academic institutions
- Regional bodies (LEPs, county councils, borough councils etc.)

Interactions with these stakeholders are reported to the Board and pertinent issues are discussed.

Connections with these stakeholders provides insight into the policy landscape external to the business at national and regional level, and this intelligence is fed back into the business to support operational activity and wider strategic thinking – up to the level of Executive and Board. Likewise, NNL’s views and priorities can be fed back through these networks to inform and influence the actions and positions of their own decision-making bodies.

Amongst all our stakeholders, government, our workforce, and key customers have the biggest influence and impact on our decision making and we engage with all of them closely. The NNL Board previously visited each of the company’s

“The NNL Board previously visited each of the company’s major locations at least once per year and, whilst there, took the opportunity to meet teams and individual who are resident on each site to discuss their work and listen to their views and feedback.”

major locations at least once per year and, whilst there, took the opportunity to meet teams and individuals who are resident on each site to discuss their work and listen to their views and feedback. While COVID prevented such visits through 2020, implementation of the Board Stakeholder Plan will enhance this approach and facilitate a more open dialogue. Once the pressures of the pandemic ease, Directors plan to visit NNL sites on a more frequent basis, taking the opportunity to engage with groups of NNL people on specific topics.

Extant arrangements in place to engage with NNL People were adapted to accommodate the pandemic. The transition of the Remuneration Committee into a broader People and Culture committee continued, although NNL events that the RemCo Chair had planned to attend in person did not go ahead as planned. COVID also prevented face-to-face engagement by the Board with NNL People as Board visits to NNL sites did not go ahead as planned. Nevertheless, NNL’s Trade Union Forum continued to function effectively. The Forum is chaired by a Board Director and formally represents the views of most employees. It leads negotiations on formal people matters and is routinely engaged on matters such as business strategy, people strategy, and other significant developments.

NNL hosts the Nuclear Research and Innovation Office (NIRO), a specialist unit, pursuant to a contract funded by BEIS, and it provides technical advice and guidance to Government. NIRO is separated from the rest of the NNL business by a series of ethical barriers to ensure both client confidentiality of policy matters and that NNL does not benefit commercially.

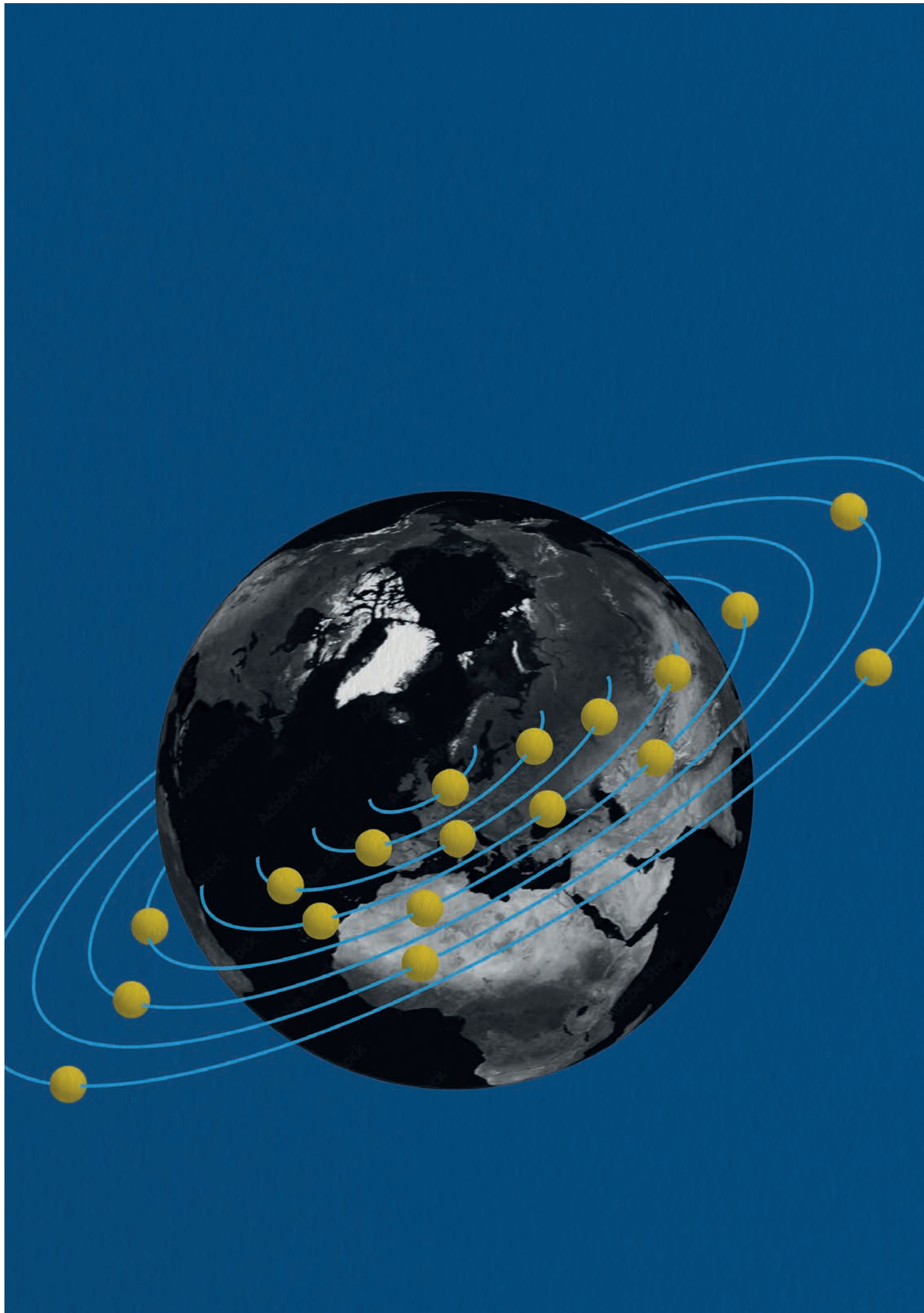
The NNL Technology Advisory Board (TAB) is one of NNL’s principal stakeholder engagement mechanisms allowing Government Chief Scientific Advisors, customers, and leading academics to influence the direction of NNL’s S&T Agenda and assess its effectiveness. New TAB terms of reference were agreed in 2020 in consultation with its members resulting in expanded TAB membership to drive diversity of thought and improved alignment between TAB and Board business.

We also usually have direct engagement with a wide range of stakeholders through events such as our own SCI-TEC conference, held every year to showcase elements of the work NNL is doing and to promote NNL’s role as a convenor of the key stakeholders who impact our sector in respect of technology, innovation and policy-making. These events bring together senior stakeholders from government, academia, customers, suppliers and our own colleagues and facilitate both formal and informal interactions and generate important insights regarding the views of our stakeholders that feed back into decision making. SCI-TEC 2020 was postponed as a result of COVID, but the event is expected to return in 2021, which will take the form of a Global Forum on Innovation.

By order of the board

David Dukes
Secretary

30th July 2021



Report On The Audit Of The Financial Statements

Opinion

In our opinion, National Nuclear Laboratory Limited's financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit and cash flows for the year then ended
- Have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB)
- Have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements, included within the Report and Financial Statements (the 'Annual Report'), which comprise: the Statement of Financial Position as at 31 March 2021; the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for Opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on Other Information

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

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

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included. Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and local tax regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or release provisions, and management bias in accounting estimates.

Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations through fraud or error
- Reviewing minutes of meetings of those charged with governance

- Challenging assumptions and judgments made by management in their significant accounting estimates (because of the risk of management bias), in particular, in relation to the post operational clean-out provisions, severance and loss making provisions and lease liabilities
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates and evaluating the business rationale of significant transactions outside the normal course of business.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Edward Moss (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors

Manchester
30th July 2021

7

Statement Of Comprehensive Income

For the year ended 31 March 2021

Value of the nuclear facilities we manage
£1.5bn

1000+
employees

10,000
years of combined expertise in nuclear science

Statement Of Comprehensive Income

For The Year Ended 31 March 2021

	Note	2021 £'000	2020 £'000
Revenue	2	127,944	104,019
Cost of sales		(86,837)	(71,817)
Gross profit		41,107	32,202
Administrative expenses		(35,072)	(32,280)
(Loss) / Profit from operations	3	6,035	(78)
Finance income	6	26	49
Finance expense	6	(364)	(1,784)
Profit / (Loss) before tax		5,697	(1,813)
Taxation	7	7,665	6,967
Profit for the year		13,362	5,154
Other comprehensive Income / (expense)			
Items that will not subsequently be reclassified to profit or loss:			
Actuarial (losses) / gains in defined benefit pension schemes, net of tax	20	(1,106)	1,276
Total other comprehensive (expense) / income, net of tax		(1,106)	1,276
Total comprehensive income		12,256	6,430

The notes on pages 70 to 95 form part of these financial statements.

Statement of Financial Position

For the year ended 31 March 2021

Company number 3857752	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Assets					
Non-current assets					
Property, plant and equipment	9	81,791	-	81,109	-
Right of use assets	10	9,944	-	22,837	-
Intangible assets	11	5,760	-	6,038	-
Trade and other receivables	12	431	-	309	-
Retirement benefit obligations	20	-	-	876	-
Total non-current assets			97,926		111,169
Current assets					
Trade and other receivables	12	40,947	-	34,749	-
Cash and cash equivalents	13	40,232	-	28,890	-
Total current assets			81,179		63,639
Total assets			179,105		174,808
Equity and liabilities					
Equity					
Share capital	18	25	-	25	-
Retained earnings	19	77,615	-	65,359	-
Total equity			77,640		65,384
Non-current liabilities					
Trade and other payables	14	31,027	-	31,273	-
Lease liabilities	10	8,171	-	20,690	-
Provisions	15	13,938	-	13,398	-
Deferred tax	16	1,535	-	336	-
Retirement benefit obligations	20	51	-	-	-
Total non-current liabilities			54,722		65,727
Current liabilities					
Trade and other payables	14	43,631	-	39,693	-
Lease liabilities	10	1,725	-	2,256	-
Provisions	15	1,387	-	1,748	-
Total current liabilities			46,743		43,697
Total liabilities			101,465		109,424
Total equity and liabilities			179,105		174,808

The financial statements on pages 70 to 95 were approved and authorised for issue by the Board of Directors on 30th July 2021 and signed on its behalf by: **Matt Miller, Chief Financial Officer**

The notes on pages 70 to 95 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 March 2021

	NOTE	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Cash flows from operating activities					
Loss before tax		5,697	-	(1,813)	-
Adjustments for:					
Depreciation	3	7,583	-	6,944	-
Amortisation	3	1,014	-	665	-
Asset impairment		962	-	-	-
Non-cash movements relating to share of defined benefit pension scheme obligations		(439)	-	(158)	-
Non-cash movements in provisions		1,108	-	(184)	-
Interest receivable	6	(26)	-	(49)	-
Interest payable	6	364	-	1,784	-
Cash flows from operating profit before changes in working capital and provisions			16,263		7,189
Increase in trade and other receivables		(2,711)	-	(5,126)	-
Increase in trade and other payables		3,919	-	12,580	-
Utilisation of provisions		(1,199)	-	(393)	-
Total changes in working capital and provisions			9		7,061
Cash generated from operations			16,272		14,250
Tax received			5,484		10,169
Net cash flows generated from operations			21,756		24,419
Cash flows from Investing activities					
Purchases of property, plant and equipment		(8,428)	-	(10,471)	-
Purchases of intangible assets		(206)	-	(896)	-
Cash flows from investing activities			(8,634)		(11,367)
Cash flows from Financing activities					
Interest received	6	26	-	49	-
Interest paid	6	(89)	-	(208)	-
Principal elements of lease payments		(1,717)	-	(1,907)	-
Cash (used in) financing activities			(1,780)		(2,066)
Net increase in cash and cash equivalents			11,342		10,986
Cash and cash equivalents at beginning of the year	13		28,890		17,904
Cash and cash equivalents at end of the year	13		28,890		28,890

The notes on pages 70 to 95 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 March 2021

	Share Capital £'000	Retained Earnings £'000	Total £'000
At 1 April 2019	25	58,929	58,954
Profit for the year	-	5,154	5,154
Actuarial losses in defined benefit pension schemes	-	1,276	1,276
Total comprehensive income	-	6,430	6,430
At 31 March 2020 and 1 April 2020	25	65,359	65,384
Profit for the year	-	13,362	13,362
Actuarial gains in defined benefit pension schemes	-	(1,106)	(1,106)
Total comprehensive income	-	12,256	12,256
At 31 March 2021	25	77,615	77,640

No amounts recognised as other comprehensive expenses / income will subsequently be reclassified through Profit & Loss.

The notes on pages 70 to 95 form part of these financial statements.

Notes Forming Part Of The Financial Statements

For the year ended 31 March 2021

1. Accounting Policies

1.1 Summary of Principal Accounting Policies

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

1.1.1 Basis of Preparation

The Directors have considered the impact of COVID-19 on the Company's business and believe that there is a reasonable expectation that the Company has adequate resources to continue to adopt the going concern basis in preparing these financial statements. Further detail on the steps taken to reach this conclusion can be found in section 1.9 of the Strategic report. These financial statements have therefore been prepared on a going concern basis, and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006

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

NNL has a non trading subsidiary - Nexia Solutions Ltd, company number 06729401. Nexia Solutions Ltd is registered and domiciled in England and Wales and its registered address is Chadwick House, Warrington Road, Birchwood Park, Warrington WA3 6AE.

NNL is exempt from preparing consolidated financial statements on the grounds that it qualifies under S400 of the Companies Act 2006 as a wholly owned subsidiary of a company registered in England and Wales for which consolidated financial statements are prepared. These financial statements therefore present information about NNL as an individual undertaking and not about its group.

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

1.1.2 Revenue

Revenue represents income derived from contracts with customers for the provision of goods and services in exchange for consideration in the ordinary course of the Company's activities.

At the start of each contract the transaction price is estimated as the amount of consideration the Company expects to be

entitled to in exchange for transferring the promised goods or services to the customer, excluding VAT. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal of the cumulative amount of revenue recognised. The transaction price does not include estimates of consideration resulting from contract variations, such as change orders, unless they have been approved by both parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their stand-alone selling prices. Given the bespoke nature of many of the Company's products and services there are typically no observable selling prices, instead stand-alone selling prices are typically estimated based on expected costs plus contract margin.

For each performance obligation under a contract the Company determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company and it has an enforceable right to payment for performance completed to date

The Company has determined that all of its contracts satisfy the over time criteria principally because its performance does not create an asset with an alternative use to the Company.

For each performance obligation to be recognised over time the Company recognises revenue based on an input method based on costs incurred in the year. Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs, after making suitable allowance for technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred and risks have been mitigated or retired.

The company applies the practical expedient included in paragraph 121 of IFRS 15 and does not disclose information about its remaining performance obligations for contracts as the company recognises revenue in line with the value of the services received by the customer to date.

Where it is probable that total contract costs will exceed total contract revenue the expected loss is recognised immediately as an expense.

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

1.1.3 Foreign Currency

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

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

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

1.1.4 Leased Assets

NNL leases its trading locations from third parties. In all cases a significant proportion of the risks and rewards of ownership are not transferred to NNL.

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

- Fixed payments less and lease incentives receivable; and
- Variable payments that are based on an index or rate, initially measured using the index or rate as at the commencement date

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot readily be determined, which is usually the case for the Company's leases, then a discount rate based on Gilts of an equivalent average duration to the lease is used as an approximation of the company's incremental cost of borrowing.

The Company is exposed to potential future increases in variable lease payments based on an index or rate which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect the lease liability is reassesses and adjusted against the right of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of Use Assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date less any incentives received
- Any initial direct costs

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of vehicles are recognised on a straight-line basis as an expense in profit and loss. Short-term leases are leases with a lease term of 12 months or less.

Information about the critical accounting estimates and judgements in the application of lease accounting is disclosed in note 1.2.3.

1.1.5 Exceptional Items

Unusually large or uncommon items which are caused by events or transactions that fall within ordinary activities are disclosed as exceptional items.

1.1.6 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
- 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 year, in the Statement of Comprehensive Income. If NNL cannot benefit from a scheme surplus in the form of refunds from the plan or reductions in future contributions, any asset resulting from the above policy is restricted accordingly.

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

Where the fair value of pension scheme assets exceeds the present value of future scheme liabilities the excess is recognised in the statement of financial position as an asset. Conversely, where the present value of future scheme liabilities exceeds the fair value of pension scheme assets the excess is recognised in the statement of financial position as a liability.

1.1.7 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 year to which they relate. The Group has two defined contribution pension schemes.

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

A further defined contribution scheme is operated for employees. The Company pays fixed contributions to Royal London and once contributions have been paid, the Company has no further payment obligations. The contributions are recognised in the Statement of Comprehensive Income in the year in which they become payable in accordance with the rules of the scheme. The assets of the plans are held separately from the Company in independently administered funds.

1.1.8 Property, Plant and Equipment

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

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

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

Land and Buildings	-	Over the lease term
Plant and machinery	-	3 to 20 years
Fixtures and fittings	-	3 to 10 years

1.1.9 Intangible Assets

Intangible assets are measured initially at cost and are amortised, as an administrative expense, 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.

The service concession arrangement on Phase 2 works at the Company's Central Laboratory consists of future revenue, some of which is guaranteed. 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 to 20 years

1.1.10 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.

Trade and other receivables are stated net of expected credit losses.

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

For trade receivables, which are carried at cost less any provision for impairment; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

1.1.11 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 and unused tax losses 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.

1.1.12 Cash and Cash Equivalents

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

1.1.13 Trade and Other Payables

Trade payables and other short-term monetary liabilities, are recognised at fair value and subsequently held at amortised cost.

1.1.14 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 year in which the revenue expenditure arises.

1.1.15 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 a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

1.1.16 Revalorisation

Revalorisation arises because provisions are stated in the Statement of Financial Position at current price levels and discounted 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.

1.2 Critical Accounting Estimates and Judgements

NNL makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The areas where the estimates and assumptions used could 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.

1.2.1 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.

Further details of the types of provisions, together with details of relevant estimates and, where appropriate, sensitivities are included in note 15.

1.2.2 Revenue Recognition

Revenue is recognised to the extent that work has been completed and an agreed purchase order from a customer covering the work is held. As a result on 31 March 2021 £10.8m (2020 - £12.9m) of accrued income was recognised as NNL had purchase orders.

Key to the recognition of revenue is the Directors' estimate of the stage of completion of each contract. The estimate is based on the ratio of actual costs incurred to date to estimated total costs.

NNL carries out work for a number of customers under discrete purchase orders which are placed under larger framework agreements. The Directors believe that the separate purchase orders constitute separate performance obligations and have treated them as such in determining the amount of revenue to be recognised.

1.2.3 Leases

The lease liability disclosed in the statement of financial position represents the Directors' best estimate of the present value of future leasing cash outflows. In arriving at this estimate the Directors have assessed the incremental cost of borrowing to be used in the calculation. The rates used and sensitivities of both the lease liability and the right of use asset values to the rate are shown in note 10. Any lease modifications are first assessed to establish whether or not they cause a separate lease. Where a separate lease is caused then the modification is accounted for as a new lease, where no new lease is caused then the lease liability is remeasured to reflect the modified terms.

1.3 New Standards and Interpretations

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

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

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.

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Revised conceptual framework for financial reporting

(ii) Standards, amendments and interpretations to published standards not yet effective Certain new accounting standards and interpretations have been published which are not mandatory for 31st March 2021 reporting periods and which have not been early adopted by the company. These standards are not expected to have a material impact on the entity in the current or future reporting periods.

2.

Revenue and Business Segments

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

The Directors are of the opinion that NNL's activities fall within one operating segment - being the provision of technology services across the nuclear fuel cycle.

Accordingly, all revenue recognised from contracts with customers has the same economic factors affecting the nature, amount, timing and uncertainty of revenues and cash flows. There are three key areas of this cycle: waste management and decommissioning, fuel cycle solutions and reactor operations support.

Revenue arises entirely from the sale of services principally in the UK. Sales to overseas customers make up a small proportion of total revenue at £2,104,764 (2020 - £2,266,056).

As far as is practical customer contracts are constructed to match revenue recognition profiles with payment application. As NNL also operates standard 30 day payment terms there are no significant delays between revenue recognition and subsequent cash receipt.

3.

Profit / (Loss) From Operations

	2021 £'000	2020 £'000
This has been arrived at after charging:		
Staff costs (see note 4)	70,471	64,152
Depreciation (see note 9)	6,024	4,927
Depreciation charge on right of use assets buildings (see note 10)	1,559	2,017
Amortisation (see note 11)	1,014	665
Asset Impairment (see note 9)	962	-
Government assistance	(1,652)	-
Research and development expenses	2,012	2,393
Lease expenses	1	8
Auditor's remuneration:		
- Audit services	81	57
- Other services	6	25
Foreign exchange (gain) / loss (see note 6)	5	124
Interest expense on leases (see note 6)	68	204

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

4.

Staff Costs

	2021 £'000	2020 £'000
Staff costs (including executive and non-executive directors) comprise:		
Wages and salaries	55,148	49,798
Social security costs	6,347	5,918
Other Pension costs	8,808	8,158
Defined benefit pension costs	168	278
	70,471	64,152
The average number of employees during the year was as follows:	Number	Number
Scientific, technical, engineering and facilities	741	717
Administrative	316	279
	1,057	996

5.

Directors' Remuneration

	2021 £'000	2020 £'000
Directors' remuneration for both executive and non-executive directors consists of:		
Aggregate emoluments	1,099	1,072
Company contributions to money purchase schemes	41	25
	1,140	1,097

There were four directors in NNL's defined benefit scheme over the course of the year.

There are two directors to whom retirements benefits are accruing under a money purchase pension scheme in respect of qualifying service.

	2021 £'000	2020 £'000
The remuneration amounts above include the following in respect of the highest paid director:		
Emoluments (excluding pension contributions)	292	254
Pension Contributions	31	30
	323	284

At the end of the year the highest paid director has accrued an entitlement to a pension of £19k (2020 £19k) and lump sum of £58k (2020 £57k) which is excluded from the figures above.

6.

Finance Income And Expense

	2021 £'000	2020 £'000
Finance income:		
Bank interest receivable	26	49
	26	49
Finance expense:		
Bank charges	21	4
Revalorisation	270	1,452
Foreign exchange loss	5	124
Interest on leases	68	204
	1,784	1,784

7.

Taxation

	2021 £'000	2020 £'000
United Kingdom corporation tax credit		
Current year	(2,706)	-
Adjustments in respect of prior years	4,268	2,774
Tax reclaimed on research and development	7,532	3,354
Total current tax credit	9,094	6,128
Deferred tax		
Origination and reversal of temporary differences	(1,429)	839
Total deferred tax credit (charge)	(1,429)	839
Total tax credit on loss on ordinary activities	7,665	6,967

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:

	2021 £'000	2020 £'000
Profit / (Loss) before tax	5,697	(1,813)
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(1,082)	344
Items not deductible for tax purposes and other items	(348)	(310)
Other timing differences	(1,071)	682
Movement in deferred tax not recognised	-	910
Tax credits on research and development	(1,634)	(787)
Tax reclaimed on research and development	7,532	3,354
Adjustments in respect of prior years	4,268	2,774
Total taxation credit for the year	7,665	6,967

NNL's tax reclaim for 2019/2020 is £3,354k (2018/2019 - £3,226k). This is due to tax credits received from HMRC for research and development activities.

Future tax liabilities arising from operations are expected to be offset by tax credits on research and development. In the Spring Budget 2020, the Government announced that from

1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). The deferred tax liability at 31 March 2020 has been calculated based on the rates substantively enacted at the date of the statement of financial position.

8.

Dividends

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

9.

Property, Plant and Equipment

	Land and Buildings £'000	Plant and Machinery £'000	Fixtures and fittings £'000	Assets in the course of construction £'000	Total £'000
<i>Cost</i>					
At 1 April 2020	538	18,717	49,756	33,694	102,705
Additions	-	-	-	8,197	8,197
Reclassification	-	1,030	7,081	(8,074)	37
Transfers from assets in course of construction	-	2,984	14,294	(17,278)	-
Disposals	-	(626)	-	-	(626)
At 31 March 2021	538	19,121	56,837	33,251	109,474
<i>Accumulated depreciation and impairment</i>					
At 1 April 2020	195	8,294	13,109	-	21,596
Depreciation charge for the year	30	2,200	3,794	-	6,024
Impairment	-	962	-	-	962
Disposal	-	(626)	-	-	(626)
At 31 March 2021	225	10,830	16,901	-	27,956

	Land and Buildings £'000	Plant and Machinery £'000	Fixtures and fittings £'000	Assets in the course of construction £'000	Total £'000
<i>Cost</i>					
At 1 April 2019	538	15,733	35,463	40,038	91,772
Additions	-	-	-	9,642	9,642
Reclassification	-	-	-	1,292	1,292
Transfers from assets in course of construction	-	2,984	14,294	(17,278)	-
At 31 March 2020	538	18,717	48,756	33,694	102,75
<i>Accumulated depreciation and impairment</i>					
At 1 April 2019	164	6,360	10,145	-	16,669
Depreciation charge for the year	31	1,934	2,962	-	4,927
At 31 March 2020	195	8,294	13,107	-	21,596
Net book value					
At 31 March 2020	343	10,423	36,649	33,694	81,109
At 31 March 2021	313	8,291	39,936	33,251	81,791

Assets in the course of construction refer to a number of ongoing major projects to enhance our critical infrastructure. Additions include £122k of accrued costs not yet invoiced (2020 - £354k). There is no capital expenditure contracted for at the end of the reporting period but not recognised as a liability (2020 - £Nil).

The directors believe that the characteristics of certain items previously classified as tangible assets more closely resemble intangible assets. As a result, amounts have been reclassified during the year.

Leases

This note provides information for leases where NNL is the lessee. NNL has no leases where it is the lessor. The balance sheet includes the following amounts relating to leases:

	2021 £'000	2020 £'000
Right of Use Assets		
Opening balance	22,837	22,607
Additions	-	2,226
Remeasurement	(11,334)	21
Depreciation charged in year	(1,559)	(2,017)
Closing Balance	9,944	22,837
Lease Liability		
Opening balance	22,946	22,607
Additions	-	2,226
Remeasurement	(11,334)	20
Interest charged in year	68	204
Cash payments	(1,784)	(2,111)
Closing Balance	9,896	22,946
<i>The ageing of lease liabilities are as follows</i>		
Less than 1 year	1,725	2,256
2 – 5 years	3,784	7,719
Over 5 years	4,387	12,971
	9,896	22,946

All right of use assets relate to property leases.

The reduction in both the right of use asset and lease liability values relates to the remeasurement of the lease liability associated with one of the Company’s laboratories. The lease term which extends to 2034 has remained unchanged but a reduction in annual rent was agreed with the landlord during the year.

Right of use asset and lease liability values are calculated using a discount rate which is based on Gilt rates, if the discount rates used in the calculation of the individual asset and liability values were 0.5% higher then the right of use asset values at the balance sheet date would be £0.4m lower than stated, the lease liability values would be £0.5m lower than stated and the profit for the year would be £0.1m higher than stated.

Intangible Assets

	Computer software £'000	Service concession £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 April 2020	5,501	3,782	25	9,308
Additions	-	-	206	206
Reclassification	-	-	566	566
Transfers from assets in course of construction	595	-	(631)	(36)
Disposal	(245)	-	-	(245)
At 31 March 2021	5,851	3,782	166	9,799
Accumulated amortisation				
At 1 April 2020	2,816	454	-	3,270
Amortisation charge for the year	723	291	-	1,014
Disposal	(245)	-	-	(245)
At 31 March 2021	3,294	745	-	4,039
	Computer software £'000	Service concession £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 April 2019	2,738	3,782	3,443	9,963
Additions	-	-	637	637
Reclassification	-	-	(1,292)	(1,292)
Transfers from assets in course of construction	2,763	-	(2,763)	-
At 31 March 2020	5,501	3,782	25	9,308
Accumulated amortisation				
At 1 April 2019	2,373	232	-	2,605
Amortisation charge for the year	443	222	-	665
At 31 March 2020	2,816	454	-	3,270
Net book value				
At 31 March 2020	2,685	3,328	25	6,038
At 31 March 2021	2,557	3,037	166	5,760

Assets in the course of construction refer to IT software and the software implementation costs Additions in the year include £0k of accrued costs (2020 - £0k). There is no capital expenditure contracted for at the end of the reporting period but not recognised as a liability (2020 - £Nil).

The directors believe that the characteristics of certain Items previously classified as tangible assets more closely resemble intangible assets. As a result, £566k have been reclassified during the year.

Amortisation £1,014k (2020 £665k) is included in Administrative expenses in the statement of Comprehensive Income.

Trade and Other Receivables

	2021 £'000	2020 £'000
Trade receivables	21,113	16,481
Amounts due from group undertakings	171	163
Prepayments and accrued income	12,502	14,472
Corporation tax	6,963	3,353
Other receivables	629	589
Total trade and other receivables	41,378	35,058
Less: non-current trade and other receivables	(431)	(309)
Current trade and other receivables	40,947	34,749

NNL operates standard payment terms of 30 days.

Prepayments and accrued income includes £10,773,839 of accrued income (2020 £12,795,383). Invoicing schedules for a number of contracts are based on milestones rather than on value of work done or time elapsed – variability in the value of accrued income at the year end is therefore to be expected. All accrued income is receivable within less than one year.

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

	2021 Other £'000	2021 Total £'000	2020 Other £'000	2020 Total £'000
2-5 years	431	431	274	274
Over 5 years	-	-	35	35
	431	431	309	309

The fair value of trade and other receivables approximates to their carrying value at 31 March 2021 and 31 March 2020.

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

	2021 £'000	2020 £'000
Pound sterling	31,999	25,430
US Dollar	5,211	5,460
Euro	3,958	3,958
Other	210	210
	41,378	35,058

Trade and Other Receivables

At 31 March 2021 no trade receivables were impaired (2020 - £Nil). As at 31 March 2021 trade receivables of £539,575 (2020 - £2,906,058) were past due but had no expected credit loss provision. Only £82,724 of the overdue debt from the year end remains unpaid. (2020 - £84,650)

The ageing of trade receivables are as follows:

	2021 Related parties £'000	2021 Third parties £'000	2021 Total £'000	2020 Related parties £'000	2020 Third parties £'000	2020 Total £'000
Not yet due	12,060	8,514	20,574	7,175	6,400	13,575
1-30 days	1	151	152	181	2,343	2,524
31-60 days	-	304	304	-	226	226
61-90 days	-	-	-	5	-	5
Over 91 days	-	83	83	-	151	151
	12,061	9,052	21,113	7,361	9,120	16,481

NNL has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

NNL considers that all of its customers have shared risk characteristics and has therefore considered the expected loss allowance for all of its customers as one group. The expected loss rates are based on the payment profile of sales over a period of 24 months before 31 March 2021 and 31 March 2020 respectively and the corresponding historical credit losses experienced within this period.

NNL has considered the forward looking macro economic factors and does not believe any adjustment is required to historical loss rates to ensure they reflect relevant future economic conditions.

On this basis the loss rate is considered to be 0% and the loss allowance as at 31 March 2021 and 31 March 2020 is nil.

Cash And Cash Equivalents

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

	2021 £'000	2020 £'000
Cash available on demand	40,232	28,890

Book values equal fair values at 31 March 2021 and 2020. All day to day banking matters are dealt with by the NatWest Bank, part of the RBS group.

14.

Trade and Other Payables

	2021 £'000	2020 £'000
Payments received on account	11,564	11,425
Trade payables	5,434	3,219
Taxation and social security	4,231	6,503
Accruals	53,429	49,891
	74,658	70,966
Less: non-current trade and other payables	(31,027)	(31,273)
Current trade and other payables	43,631	39,693

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

	2021 £'000	2020 £'000
1-2 years	1,510	1,586
2-5 years	4,298	4,758
Over 5 years	25,219	24,929
	31,027	31,273

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

	2021 £'000	2020 £'000
Pound sterling	74,658	70,903
US Dollar	-	15
Euro	-	1
Other	-	47
	74,658	70,966

Book values equal fair values at 31 March 2021 and 2020.

The ageing of the trade payables are as follows:

	2020 Related parties £'000	2020 Third parties £'000	2020 Total £'000	2020 Related parties £'000	2020 Third parties £'000	2020 Total £'000
Not yet due	1,514	3,735	5,249	361	2,858	3,219
1-30 days	-	-	-	-	-	-
Over 91 days	-	185	185	-	-	-
	1,814	3,920	5,434	361	2,858	3,219

15.

Provisions

	Early retirees £'000	Severance £'000	Loss making contracts £'000	Other £'000	Total £'000
At 1 April 2020	307	4,179	1,363	9,297	15,146
Reclassification	-	-	-	-	-
Restatement	(238)	238	-	-	-
Charged to profit or loss	-	56	486	604	1,146
Utilised in year	(67)	(364)	(559)	(209)	1,199
Revalorisation	-	813	37	(580)	270
Released in the year	(2)	(11)	(25)	-	(38)
At 31 March 2021	-	4,911	1,302	9,112	15,325
At 31 March 2020					
Due within one year	80	344	1,108	216	1,748
Due after more than one year	227	3,835	255	9,081	13,398
	307	4,179	1,363	9,297	15,146
At 31 March 2021					
Due within one year	-	379	792	216	1,387
Due after more than one year	-	4,532	510	8,896	13,938
	-	4,911	1,302	9,112	15,325

The restatement between future early retirees and severance during the year represents future pension payments which will be made to individuals who have opted to retire early. Details of each category of provision are shown below:

Early Retirees

The provision relates to the cost of funding the pension payments for specific individuals who are expected to leave under an early retirement scheme at the age of sixty, five years before they are able to draw their pension at sixty-five. NNL is liable for these pension payments from the age of sixty to sixty five. The amounts provided are based on best estimates of the anticipated pensions for the employees in questions and will be utilised over the next five years.

Severance

The severance provision relates to severance obligations payable as pensions to employees who left NNL through redundancy. The amounts provided are based on best estimates of the pension payments and will be utilised over the next 33 years. The provision value uses a discount rate of 1.9% and a life expectancy of 88 years. A decrease of 0.25% in the discount rate would increase the provision value by £0.1m and separately an increase of one year in life expectancy would increase the provision by £0.3m.

Loss Making Contracts

These are onerous contract provisions and have been calculated based on the latest technical evaluation of the processes and methods likely to be used and reflect current

knowledge. The provision relates to fixed-price, loss-making contracts. The loss has been calculated based on current costs and performance in line with the agreed schedule of work for the remaining duration of the contracts.

POCO

These provisions are based on such commercial agreements that are currently in place and reflect the Directors' understanding of the current Company policy and regulatory framework. NNL is responsible for Post Operational Clean Out (POCO) costs or removing and disposing of the plant, equipment and consumables which have become radiologically contaminated during operations within the facilities.

Of the total other provision £8.9m relates to POCO (2020 - £9.0m). 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 POCO provision value above is based on disposal in 11 years time, inflation of 2.5% and a discount rate of 0.84% based on UK Gilt 10 year yields. A delay of 1 year in the disposal date would increase the provision value by £0.1m, an increase of 0.25% in the inflation rate would increase the provision value by £0.2m and separately an increase of 0.25% in the discount rate would decrease the provision by £0.2m.

16.

Deferred Tax

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

	2021 £'000	2020 £'000
Provision at start of year	366	906
Deferred tax (credited) / charged to Profit and Loss in the year	1,429	(839)
Deferred tax (credited) / charged to Other Comprehensive Income in the year	(260)	299
Provision at end of year	1,535	366

At 31 March the deferred tax provision consists of:

	2021 £'000	2020 £'000
Depreciation in excess of capital allowances	3,640	3,236
Other timing differences - pension and post retirement benefits	(10)	166
Other timing differences - provisions	(1,030)	(900)
Tax credit and loss carry forward	(1,065)	(2,136)
Provision at end of year	1,535	366

The provision balance is not expected to be utilised in the next year.

17.

Financial Instruments - Risk Management

Principal Financial Instruments

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

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

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

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

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

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

Financial Risk Management Objectives

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

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

Foreign Exchange Risk mManagement

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

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

	2021 £'000	2020 £'000
Pound Sterling	40,169	28,722
US Dollar	1	80
Euro	62	88
	40,232	28,890

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

Credit risk management

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

	2021 Carrying value £'000	2021 Maximum exposure £'000	2020 Carrying value £'000	2020 Maximum exposure £'000
Cash and cash equivalents	40,232	40,232	28,890	28,890
Trade and other receivables	41,378	41,378	35,058	35,058
Total financial assets	81,610	81,610	63,948	63,948

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

Trade receivables balances are not covered by credit insurance, but customers are deemed to be of sufficient credit worthiness in order that NNL will continue to conduct trade with them. The following internal procedures are undertaken in order to assess whether NNL will grant a credit facility to them:

- Obtaining status reports and reference reports for new companies; and
- Reviewing their 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; and
- Vigorous collection strategy in place

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

'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more

vulnerable to adverse business or economic conditions than is the case for higher ratings.

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

Liquidity Risk Management

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

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

Capital Management

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

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

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

18.

Share Capital

Authorised, issued and fully paid

	2021 Number	2020 Number	2021 £'000	2020 £'000
Ordinary shares of £1 each	25,000	25,000	25	25

No dividends were paid or payable during the year (2020 - £Nil)

19.

Retained Earnings

	2021 £'000	2020 £'000
Reserves at beginning of the year	65,359	58,929
Profit for the year	13,362	5,154
Other comprehensive (loss) / profit	(1,106)	1,276
Total comprehensive income	12,256	6,430
Reserves at end of the year	77,615	65,359

20.

Retirement Benefits Obligations

Schemes accounted for as defined contribution

Combined Pension Scheme (CPS)

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

The CPS is accounted for as a defined contribution scheme. The pension charge for the year represents contributions payable by NNL to the scheme and amounts to £6,484,384 (2020 - £6,503,374).

Schemes accounted for as defined benefit

Combined Nuclear Pension Plan (CNPP)

The CNPP is a funded scheme (previously named GPS). The Company's contribution rate is 49.5%. The CNPP is accounted for as a defined benefit scheme. A full actuarial valuation was carried out for the Trustees at 31 March 2019. This has been updated to 31 March 2021 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. The Company's contribution rate is 50.4%. The ESPS is accounted for as a defined benefit scheme. A full actuarial valuation was carried out for the Trustees at 31 March 2019. This has been updated to 31 March 2021 by a qualified independent actuary. The actuarial assumption for salary increases was 4.3%

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

	2021 CNPP £'000	2021 ESPS £'000	2021 Total £'000	2020 CNPP £'000	2020 ESPS £'000	2020 Total £'000
Fair value of scheme assets	5,934	12,386	18,320	5,127	10,668	15,815
Present value of scheme liabilities	(6,259)	(12,112)	(18,371)	(5,117)	(9,822)	(14,939)
(Deficit) / Surplus in the scheme	(325)	274	(51)	10	866	876

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:

	2021 CNPP years	2020 CNPP years	2021 ESPS years	2020 ESPS years
Male	21	23	24	24
Female	24	25	25	25

Retirement Benefits Obligations (continued)

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

	2021 CNPP years	2020 CNPP years	2021 ESPS years	2020 ESPS years
Male	23	24	25	25
Female	25	27	26	26

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

	2021 CNPP	2020 CNPP	2021 ESPS	2020 ESPS
Expected increase in pensions-in-payment	3.3%	2.6%	3.3%	2.6%
Discount rate pensioner liabilities	1.9%	2.2%	1.9%	2.2%
Discount rate deferred and active liabilities	2.1%	2.3%	2.1%	2.3%
Inflation rate	3.3%	2.6%	3.3%	2.6%

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

Defined Benefit Obligation reconciliation

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2019	5,208	10,719	15,927
Expected return on plan assets	125	255	380
Employer contributions	57	379	436
Benefits paid	(51)	(588)	(639)
Contributions by scheme participants	8	20	28
Actual return less expected return on pension scheme assets	(220)	(97)	(317)
At 31 March 2020	5,127	10,688	15,815
At 1 April 2020	5,127	10,688	15,815
Expected return on plan assets	117	243	360
Employer contributions	274	333	607
Benefits paid	(252)	(215)	(467)
Contributions by scheme participants	8	16	24
Actual return less expected return on pension scheme assets	660	1,321	1,981
At 31 March 2021	5,934	12,386	18,320

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 at 31 March 2021 and at 31 March 2020 were as follows:

CNPP	2021 Fair value £'000	2020 Fair value £'000
Growth Assets	2,934	2,331
Index-linked gilts	1,495	-
Corporate bonds	1,344	2,733
Cash	161	63
	5,934	5,127

At both 31 March 2021 and 31 March 2020 all the growth assets and corporate bonds were held in unquoted pooled investment vehicles.

ESPS	2020 Fair value Quoted £'000	2020 Fair value Unquoted £'000	2020 Fair value Total £'000	2020 Fair value Quoted £'000	2020 Fair value Unquoted £'000	2020 Fair value Total £'000
Target Return / Diversified Growth Fund	4,101	3,689	7,790	3,363	2,984	6,347
Index linked gilts	-	4,184	4,184	-	3,180	3,180
Cash	-	412	412	-	1,161	1,161
Defined benefit pension cost	4,101	8,285	12,386	3,363	7,325	10,688

Reconciliation of plan liabilities

	CNPP £'000	ESPS £'000	Total £'000
At 1 April 2019	5,608	11,176	16,784
Interest cost	135	263	398
Current service cost	72	188	260
Benefits paid	(51)	(588)	(639)
Changes in financial assumptions	(655)	(1,237)	(1,892)
Contributions by scheme participants	8	20	28
At 31 March 2020	5,117	9,822	14,939
At 1 April 2020	5,117	9,822	14,939
Interest cost	114	221	335
Current service cost	73	120	193
Benefits paid	(252)	(215)	(467)
Changes in financial assumptions	1,199	2,148	3,347
Contributions by scheme participants	8	16	24
At 31 March 2021	6,259	12,112	18,371

Retirement Benefits Obligations (continued)

Defined benefit obligation trends of scheme as a whole as at 31 March 2020

	CNPP £'000	ESPS £'000	Total £'000
Scheme assets	5,127	10,688	15,815
Scheme liabilities	(5,117)	(9,822)	(14,939)
Scheme surplus	10	866	876
Experience adjustments on assets	(220)	(97)	(317)
As a % of scheme assets	-4.3%	-0.9%	-2.0%

Defined benefit obligation reconciliation of scheme as a whole as at 31 March 2021

	CNPP £'000	ESPS £'000	Total £'000
Scheme assets	5,934	12,386	18,320
Scheme liabilities	(6,259)	(12,112)	(18,371)
Scheme (deficit) / surplus	(325)	274	(51)
Experience adjustments on assets	660	1,321	1,981
As a % of scheme assets	11.1%	10.7%	10.8%

Movement in overall scheme (deficit) / asset from 1 April 2019 to 31 March 2020

	CNPP £'000	ESPS £'000	Total £'000
Deficit at 1 April 2019	(400)	(457)	(857)
Operating costs	(72)	(188)	(260)
Expected return on pension scheme assets	125	225	380
Interest on pension scheme liabilities	(135)	(263)	(398)
Actuarial gains	435	1,140	1,575
Contributions paid	57	379	436
Surplus at 31 March 2020	10	866	876

Movement in overall scheme asset / (deficit) from 1 April 2020 to 31 March 2021

	CNPP £'000	ESPS £'000	Total £'000
Surplus at 1 April 2020	10	866	876
Operating costs	(73)	(120)	(193)
Expected return on pension scheme assets	117	243	360
Interest on pension scheme liabilities	(114)	(221)	(335)
Actuarial losses	(539)	(827)	(1,366)
Contributions paid	274	333	607
(Deficit) / surplus at 31 March 2021	(325)	274	(51)

Amounts recognised in the financial statements

Analysis of amounts recognised in the statement of financial position

CNPP	2020 £'000	2020 £'000	2019 £'000	2018 £'000
Fair value of scheme assets	5,934	5,127	5,208	4,843
Present value of scheme liabilities	(6,259)	(5,117)	(5,608)	(5,141)
Net pension (liability) / asset	(325)	10	(400)	(298)

ESPS	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Fair value of scheme assets	12,386	10,688	10,719	10,196
Present value of scheme liabilities	(12,112)	(9,822)	(11,176)	(10,270)
Net pension (liability) / asset	274	866	(457)	(74)

Total	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Fair value of scheme assets	18,320	15,815	15,927	15,039
Present value of scheme liabilities	(18,371)	(14,939)	(16,784)	(15,411)
Net pension asset / (liability)	(51)	876	(857)	(372)

Included in administrative expenses

	2021 CNPP £'000	2021 ESPS £'000	2021 Total £'000	2020 CNPP £'000	2020 ESPS £'000	2020 Total £'000
Current service cost	73	120	193	72	118	260
Expected return on plan	(117)	(243)	(360)	(125)	(255)	(380)
Interest cost	114	221	335	135	263	398
Defined benefit pension cost	70	98	278	82	196	278

20.

Retirement Benefits Obligations (continued)

The sensitivity of the defined benefit obligations to the principal actuarial assumptions is as follows:

	2021 CNPP £'000	2021 ESPS £'000	2021 Total £'000	2020 CNPP £'000	2020 ESPS £'000	2020 Total £'000
0.25% reduction in discount rate	350	650	1,000	250	525	775
0.25% increase in rate of inflation	350	650	1,000	250	525	775
Life expectancy increased by 1 year	200	425	625	200	350	550

The table above shows the increase in liabilities in each scheme which would result from the stated change in assumption.

The above sensitivity analyses are based on a change in assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions might be correlated. When calculating the sensitivity of the defined benefit obligation to the principal actuarial assumptions the same method (that is the projected Unit Credit method) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

Expected contributions to defined benefit plans in the year to March 2022 are:

	2021 CNPP £'000	2021 ESPS £'000	2021 Total £'000	2020 CNPP £'000	2020 ESPS £'000	2020 Total £'000
Employer contributions	179	333	512	57	379	436
Employee contributions	8	16	24	8	20	28
Total	187	349	536	65	399	464

21.

Related party transactions

Amounts recognised in the financial statements

Analysis of amounts recognised in the statement of financial position

	2021	2020	2021	2020	2021	2020	2021	2020
	Sales of goods/services		Amounts owed by related parties		Purchases of goods/services		Amounts owed to related parties	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MOD	3	36	-	45	87	-	-	-
NDA	5,081	8,238	262	82	1,111	3	53	-
Sellafield Ltd	40,106	33,414	7,108	1,396	4,989	3,460	1,437	361
RWM	417	646	134	8	-	-	-	-
Dounreay	262	750	-	212	-	-	-	-
Innovate UK	542	15	-	-	-	-	-	-
Magnox Ltd	12	47	-	-	-	-	-	-
Total	75,507	57,682	12,061	7,361	6,187	3,525	1,514	361

Undertakings under common control of the Government are the Department for Business, Energy and Industrial Strategy (BEIS), Ministry of Defence (MOD), Nuclear Decommissioning Authority (NDA), Sellafield Ltd (SL), Radioactive Waste Management Ltd (RWM), Dounreay Site Restoration Ltd (Dounreay), Innovate UK and Magnox Ltd,

Since the financial year ended 31 March 2021 some of the amounts owed by related parties have been settled by cash and a balance of £0k (2020 - £23,323) remains

22.

Controlling party

All of the share capital of NNL is owned by its parent, NNL Holdings Ltd. NNL Holdings Ltd's country of incorporation is the United Kingdom and its registered address is Chadwick House, Warrington Road, Birchwood Park, Birchwood, Warrington WA3 6AE. The results of NNL are consolidated in the group financial statements of NNL Holdings Ltd which are publicly available.

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

23.

Subsidiary Company

NNL owns all of the share capital of Nexia Solutions Ltd, a non trading company with issued share capital of £1.

Report and Financial Statements
Year ended 31 March 2021

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5th Floor, Chadwick House,
Birchwood Park, Warrington,
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