Sellafield Limited

Annual report and financial statements

(Registered number 01002607)

31 March 2015

Company Information

DIRECTORS

Mr A Price (appointed Chairman 28 August 2014, Managing Director until 1 February 2015)
Mr P Foster (appointed Managing Director 1 February 2015)
Mr G D Beveridge
Mr K R Mabe
Mr S D Long
David George Clark of Windermere
Timothy Clive Chittenden
Mr N W R Smith
Dr D Byrne (appointed 1 January 2015)

SECRETARY

Mr C L Fidler

AUDITORS

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

National Westminster Bank plc
P.O. Box 305
Spring Gardens
Manchester
M60 2DB

REGISTERED OFFICE

Booths Park
Chelford Road
Knutsford
Cheshire
WA16 8QZ

Strategic report

The Directors present their strategic report for the year ended 31 March 2015.

Principal Activities and future developments

The principal role of the Company is to operate nuclear sites under the site licence and operation contract with the Nuclear Decommissioning Authority (NDA). The Company is responsible for safely delivering the decommissioning of the UK's nuclear legacy as well as fuel recycling and the management of low, high and intermediate level waste activities on behalf of the NDA. This includes nuclear facility management and operations, and managing the customer interface between the company and utilities, both in the UK and overseas, that send used fuel to Sellafield for recycling.

The Company's primary site is the Sellafield nuclear site in West Cumbria. The Company also has an engineering, design and functional support capability at its Risley office, near Warrington. All costs incurred by the Company in the performance of the Management and Operations (M&O) contract are reimbursed by the NDA, unless they are specifically disallowable under the contract.

The contractual arrangement between Nuclear Management Partners Limited (NMP), the NDA and the Company is structured as an initial 5 year period ending 31 March 2014, with the NDA having the power to extend the contract for up to 17 years in total in tranches of 5 years, with the final period being 2 years. On 4 October 2013 the NDA announced its intention to extend the Sellafield contract with NMP into the second five year period starting on 1 April 2014.

On 13 January 2015, the NDA announced its intention to change the commercial model at Sellafield. Under the new arrangements, the NDA will terminate the Parent Body Agreement (PBA) between NMP, NDA and the Company, and after a period of transition, Sellafield Limited will become a wholly owned subsidiary of the NDA. The new arrangements will, in due course, see a strategic partner appointed by Sellafield Limited to strengthen the programme management and commercial capability at the site as well as playing a key role in managing capital projects and contracts. The transition to the new arrangements is expected to take around 15 months to complete, during such time the existing arrangements will continue with NMP being the shareholder of Sellafield Limited.

On 26 March 2015 NDA implemented the termination for convenience clause in the PBA, which states that NDA is entitled at any time and for any reason to terminate the PBA with twelve months notice. NDA and NMP are in the process of agreeing a commercial agreement associated with the termination of the PBA. The commercial agreement is expected to be finalised and signed by both parties in June 2015, and these accounts reflect the expected final outcome.

The directors' aim is to operate the nuclear sites safely, in line with the lifetime plan recently delivered to NDA and earn a significant percentage of the available fee pool from the NDA.

Review of business

The Company is committed to safety. Safety always comes first and is the most important part of the Company's culture. The Company measures its safety performance against industry best practice at a national and international level through membership of the World Association of Nuclear Operators. The Company's safety performance in the year has continued to be strong.

During the year the Company incurred Site Licence Company costs under management (excluding fees) of £1,883 million (2014: £1,715 million). This expenditure is recoverable from the NDA under the M&O contract, and represents the operational costs of the Sellafield site including expenditure on:

- Risk and hazard reduction, including decommissioning Legacy Ponds and Silos buildings;
- Commercial operations, including spent fuel management and associated operations with UK and foreign customers;
- The safe treatment of low level, intermediate level and high level waste; and
- Asset care and maintenance – some of the facilities at Sellafield are over 50 years old so significant investment is required to ensure that they remain operational and in a safe state prior to decommissioning.

Under the M&O contract, the Site Licence Company costs under management are funded by the NDA, and the Company must control its expenditure within agreed funding levels. In the year the Company spent 100% of the funds available (2014: 99%).

During the year the Company employed an average of 10,567 employees (2014: 10,031) at a total cost of £674 million (2014: £608 million) after taxes and pension costs. The Company's work on the Sellafield site also supports a significant number of supply chain and agency workers. At 31 March 2015, there were 1,076 agency staff (31 March 2014: 1,055).

Strategic report *(continued)*

Review of business *(continued)*

The Company earns fee from its customer, the NDA, by meeting milestones and generating efficiencies. As site owners, NDA set the Company a number of targets every year, which cover all elements of operations, from meeting milestones in Legacy Ponds and Silos risk and hazard reduction programmes through to production plant throughputs and the numbers of containers processed by waste management buildings.

In the year the Company earned fees of £39 million from the NDA for the safe delivery of targets, milestones and efficiencies (2014: £37 million). The majority of this related to fee earning milestones with earnings based on performance and milestone attainment.

The operating profit before taxation and research and development tax credits was £36 million (2014: profit £31 million).

The profit for the year, after taxation, amounted to £33 million (2014: profit £28 million).

The Company is tackling unique challenges, in particular, in respect of the safe clean up and decommissioning of the Legacy Ponds and Silos buildings. In the year the Company invested £86 million on research and development (R&D) (2014: £82 million), with the majority of the R&D directly supporting the clean up of the legacy facilities, reprocessing and fuel fabrication plants, waste management facilities and the infrastructure of the site. R&D costs are directly recoverable from the NDA under the terms of the M&O contract.

During the year the Company made socio-economic payments amounting to £4.6 million (2014: £7.6 million), which includes £3.1 million (2014: £6.5 million) to support West Cumbrian economic regeneration initiatives. Payments of £2.9 million were made under contract from the NDA (2014: £3.1 million), while the remaining payments of £1.7 million (2014: £4.5 million) are disallowable costs under the M&O contract. The Company made no political contributions during the year (2014: £nil).

Principal risks and uncertainties

As discussed in notes 2.2m and note 22, if required the Company uses forward foreign currency contracts and currency options to reduce foreign exchange rate exposure on certain assets, liabilities and firm commitments. The Company does not engage in speculative treasury arrangements, and all of its activities are designed to support underlying business activities. All treasury activities are carried out under policies approved by the Board.

Under the industry model, the Company does not have major working capital requirements because almost all expenditure is at the UK sites where the Company is the M&O contractor and is funded by the NDA under defined contract terms. All costs incurred by the Company in the performance of the M&O contract are reimbursed by the NDA, unless they are specifically disallowable under the contract. The Company puts in place advance agreements with the NDA to obtain pre-approval of certain items of expenditure, to ensure that the expenditure is allowable under the terms of the M&O contract.

The Company's financial performance is driven by the performance against the NDA's targets, milestones and efficiency targets, which form the basis of fees earned under the M&O contract. The Company's working capital requirements are provided by its parent company, Nuclear Management Partners Limited (NMP), and the shareholders of NMP (see note 20).

In the unlikely event that the NDA was no longer able to provide the funding for the Company to continue its waste management and decommissioning activities in compliance with the site licence conditions, the NDA would be required to purchase the Company for a nominal sum, thus reinforcing the NDA's responsibility for the underlying liabilities.

The nuclear industry is regulated by bodies such as the Environment Agency and the Office of Nuclear Regulation, and the Company has detailed processes, procedures and controls to ensure that it complies with all aspects of this regulatory environment. Any fines arising as a result of the Company's non-compliance are generally disallowable costs under the M&O contract with the NDA.

By order of the board

C L Fidler
Secretary

Date: 19 June 2015
Registered Company Number: 1002607

Booths Park
Chelford Road
Knutsford
Cheshire
WA16 8QZ

Directors' report

The directors present their directors' report for the year ended 31 March 2015.

Directors

The directors who held office during the year were as follows:

Dr G T Wright (resigned as Director and Chairman 28 August 2014)

Mr A Price (appointed as Chairman 28 August 2014, Managing Director until 1 February 2015)

Mr P Foster (appointed Managing Director 1 February 2015)

Mr G D Beveridge

Mr K R Mabe

Mr S D Long

David George Clark of Windermere

Timothy Clive Chittenden

Mr N W R Smith

Dr D Byrne (appointed 1 January 2015)

Secretary

Mr C L Fidler

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the Company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Directors' and officers' liability insurance

Directors' and officers' liability insurance is provided, covering inter alia the defence costs of civil legal proceedings and the damages resulting from the unsuccessful defence of such proceedings except, in each case, to the extent that a Director or Officer acted fraudulently or dishonestly.

Directors' indemnities

As at the date of this report, the Company entered into Deeds of Indemnity with certain of the Directors. These indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006 (UK).

Dividends

An interim dividend of £3,700,000 for the year ended 31 March 2013 was declared by the Board and paid to the shareholder on 29 May 2014.

A final dividend of £2,893,000 for the year ended 31 March 2013 was declared by the Board and paid to the shareholder on 27 June 2014.

Dividends, inclusive of the final dividend, totalling £27,731,000 have been paid during the current financial year in relation to the year ending 31 March 2014 as follows:

Date declared	**Amounts, £**	**Date paid to shareholder**
25 September 2014	*6,000,000*	*25 September 2014*
23 October 2014	*4,500,000*	*24 October 2014*
11 December 2014	*10,000,000*	*12 December 2014*
17 February 2015	*5,000,000*	*18 February 2015*
23 March 2015	*2,231,000*	*27 March 2015(final dividend)*

A first interim dividend of £2,769,000 for the year ended 31 March 2015 was declared by the Board on 23 March 2015 and paid to the shareholder on 27 March 2015.

Directors' report *(continued)*

Policy and practice on payment of creditors

The Company has continued its commitment to the Prompt Payers Code of Practice drawn up by the Confederation of British Industry (CBI), with rigorous monitoring of payment performance. Copies of the Code are available from CBI, Centre Point, 103 New Oxford Street, London, WC1A 1DU. Over the year 96% (2014: 95%) of invoices submitted against the standard payment terms of 30 days net monthly were paid on time.

Employees

The Company attaches importance to the involvement of its employees in the Company's development and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Company. Employee representatives are consulted regularly on a wide range of matters affecting the current and future interests of the employees. Employee involvement in the performance of the Company is encouraged through various bonus and remuneration schemes.

The Company is committed to a policy of equal opportunities for all employees. Great care is exercised in our recruitment and selection procedures to ensure that there is no discrimination and that training is given to meet individual needs. Applications by people with disabilities are given full and fair consideration and wherever practical, provision is made for their special needs. The same criteria for training and promotion apply to people with disabilities as to any other employee. If an employee becomes disabled, every effort is made to ensure their continued employment.

Going concern

The directors have concluded that the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern.

The contractual arrangement between NMP, the NDA and the Company is structured as an initial 5 year period ending 31 March 2014, with the NDA having the power to extend the contract for up to 17 years in total in tranches of 5 years, with the final period being 2 years. On 4 October 2013 the NDA announced its intention to extend the Sellafield contract with NMP into the second five year period starting on 1 April 2014.

Under the terms of the Parent Body Agreement (PBA), NMP is required to make available working capital facilities of £20 million to the Company. At 31 March 2015 the Company had undrawn working capital facilities of £20 million (2014: £20 million). On 13 January 2015, the NDA announced its intention to change the commercial model at Sellafield. Under the new arrangements, the PBA between NDA, NMP and the Company will terminate on 31 March 2016 or earlier, and at this point the Company will become a wholly owned subsidiary of NDA, and the working capital facilities of £20 million provided by NMP will also cease. The NDA has confirmed that it will ensure that working capital facilities will be in place with effect from the date that the Company becomes an NDA subsidiary.

Events since the balance sheet date

A further interim dividend of £7,500,000 for the year ended 31 March 2015 was declared by the Board on 18 May 2015 and paid to the Shareholder on 22 May 2015. NDA and NMP are in the process of agreeing a commercial agreement associated with the termination of the PBA. The commercial agreement is expected to be finalised and signed by all parties in June 2015, and these accounts reflect the expected final outcome.

Directors' statement regarding information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Annual General Meeting and Auditors

In accordance with the requirements of the Companies Act 2006 the Company is not required to hold an Annual General Meeting or to re-appoint the Auditors on an annual basis.

By order of the board

C L Fidler
Secretary

Date: 19 June 2015
Registered Company Number: 1002607

Booths Park
Chelford Road
Knutsford
Cheshire
WA16 8QZ

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, Directors' report and the company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under Company Law the directors must not approve the company financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the company for that period. In preparing the company financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors,* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the company has complied with IFRSs as adopted by the European Union; and
- make judgements and estimates that are reasonable and prudent.

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 Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SELLAFIELD LIMITED

We have audited the Annual report and the financial statements of Sellafield Limited for the year ended 31 March 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 7 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Barry Flynn (Senior statutory auditor)
for and on behalf of Ernst & Young LLP Statutory Auditor
Manchester
19/6/2015

The maintenance and integrity of the Sellafield Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income statement
For the 12 months ended 31 March 2015

	Notes	2015 £M	2014 £M
Gross revenue including fees and Site Licence Company costs under management		**1,922**	1,752
Less: Site Licence Company costs under management excluding fees	4	**(1,883)**	(1,715)
Revenue	4	**39**	37
Operating costs and expenses	4	**(3)**	(6)
Operating profit from continuing operations before research and development (R&D) tax credits		**36**	31
R&D tax credits	4	**9**	8
NDA share of R&D tax credits	4	**(3)**	(3)
Operating profit from continuing operations		**42**	36
Profit on continuing activities before taxation		**42**	36
Tax expense	7	**(9)**	(8)
Profit for the year	13	**33**	28
Profit attributable to:			
Equity holders of the company	13	**33**	28

Continuing operations in 2015 and 2014 include the fees earned from the NDA on the work undertaken by the Company.

All of the Company's operations in both 2015 and 2014 are continuing.

Statement of comprehensive income

For the 12 months ended 31 March 2015

	Notes	2015 £M	2014 £M
Profit for the year		**33**	28
Other comprehensive income items that will not be reclassified to profit or loss :			
Actuarial (loss) / gain recognised on the GPS section of the CNPP	**17**	**(39)**	22
Actuarial loss / (gain) on the GPS section of the CNPP to be funded by the NDA	**17**	**39**	(22)
Actuarial (loss) / gain recognised on CNPP defined benefit pension plan	**17**	**(136)**	117
Actuarial loss / (gain) on CNPP to be funded by the NDA	**17**	**136**	(117)
Total other comprehensive income items that will not be reclassified to profit or loss for the year, net of tax		**-**	-
Total comprehensive income for the year		**33**	28
Total comprehensive income attributable to:			
Equity holders of the company		**33**	28

Statement of financial position

At 31 March 2015

	Notes	31 March 2015	31 March 2014
Assets		**£M**	£M
Non-current assets			
NDA receivable in respect of pension liability	**17**	**273**	67
Other debtors	**8**	**43**	14
Total non-current assets		**316**	81
Current assets			
Trade and other receivables	**9**	**343**	314
Cash and cash equivalents	**10**	**2**	4
		345	318
Total assets		**661**	399
Current liabilities			
Trade and other payables	**11**	**(334)**	(298)
Non-current liabilities			
Pension liability	**17**	**(273)**	(67)
Finance lease payable	**11**	**(24)**	-
Total liabilities		**(631)**	(365)
Net assets		**30**	34
Capital and reserves			
Equity share capital	**12**	**-**	-
Retained earnings	**13**	**30**	34
Total equity		**30**	34

These financial statements were approved by the board of directors on 11 June 2015 and were signed on its behalf on 19 June 2015 by:

PAFoster 19/06/15

Paul Foster, Managing Director

Registered Company Number: 1002607

Statement of changes in equity
for the year ended 31 March 2015

	Share capital £M	Retained earnings £M	Total equity £M
Shareholders' funds at 1 April 2014	-	34	34
Total comprehensive income for the year	-	33	33
Dividends (note 14)	-	(37)	(37)
Changes in equity for year ended 31 March 2015	-	(4)	(4)
Shareholders' funds at 31 March 2015	**-**	**30**	**30**

Statement of cash flows

for the year ended 31 March 2015

	2015 £M	2014 £M
Operating activities		
Profit before tax on continuing activities	**42**	36
Non-cash adjustment to reconcile profit before tax to net cash flows:		
R&D tax credit due to NDA	**3**	3
Working capital adjustments:		
Increase in trade and other receivables and prepayments	**(28)**	(9)
Increase in other debtors	**(5)**	(2)
Increase in trade and other payables	**34**	-
Cash payments to NDA in respect of utilisation of tax losses carried forward	**(1)**	(5)
Cash payments to HMRC in respect of corporation tax	**(10)**	-
Net cash flows from operating activities	35	23
Financing activities		
Dividends paid to equity holders	**(37)**	(23)
Capital element of finance lease payments	**(1)**	-
Capital element of finance lease payments reimbursed by the NDA under the M&O contract	**1**	-
Net decrease in cash and cash equivalents	**(2)**	-
Cash and cash equivalents at 1 April	**4**	4
Net cash at 31 March	**2**	4

Notes to the financial statements

1 Corporate information

The financial statements of the Company for the year ended 31 March 2015 were authorised for issue in accordance with a resolution of the directors on 11 June 2015. The Company is a limited company incorporated and domiciled in the UK. The registered office is located at Booths Park, Chelford Road, Knutsford, Cheshire in the UK.

The principal activity of the Company is to operate nuclear sites under the site licence and operations contract with the NDA.

2.1 Basis of preparation and statement of compliance

The financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Committee (IFRIC) and applied in accordance with the Companies Act 2006. Practice is continuing to evolve on the application and interpretation of IFRS. Further standards may be issued by the International Accounting Standards Board (IASB), and standards currently in issue and endorsed by the EU may be subject to interpretations issued by IFRIC. The financial statements are presented in Sterling and all values are rounded to the nearest million pounds (£M) except where otherwise indicated.

2.2 Summary of significant accounting policies

a Property, plant and equipment

The Company does not own any property, plant and equipment. Under the Energy Act 2004, all assets previously owned by the Company were transferred on 1 April 2005, with the majority being transferred to the NDA. The Company utilises the NDA's assets as provided for within the M&O contract between the NDA and the Company.

b Foreign currencies

The Company's functional currency and presentation currency is pounds Sterling. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

c Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, VAT and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue earned on the M&O contract between the Company and the NDA

Revenue represents the net fees earned on the M&O contract between the Company and NDA. Under the M&O contract, Sellafield Limited can earn fees based on the Company's performance against the NDA's milestones and efficiency targets.

Notes to the financial statements *(continued)*

2.2 Summary of significant accounting policies *(continued)*

d Leases

Company as a lessee

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the lease term. Operating lease rentals are recoverable from the NDA under the terms of the M&O contract.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company are classified as finance leases. Finance lease liabilities are recognised at the commencement of the lease at the present value of minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss and are recoverable from the NDA under the M&O contract.

Company as a lessor

The Company has sub-let certain operating leases to third parties. The rental income from these operating leases, including the effect of any lease incentives, is recognised on a straight line basis over the lease term. Under the terms of the M&O contract, rental income received from third parties is transferred to the NDA.

Company policy and practice is to review all new sale and purchase agreements to ensure that they do not include embedded leases.

e Post-retirement benefits

The Company provides pension plans for the benefit of all of its employees. The schemes are funded by contributions partly from the employees and partly from the Company. These payments are made to separately administered funds for the Sellafield section of the Combined Nuclear Pension Plan (CNPP), the Group Pension Scheme (GPS) section of the CNPP and the Electricity Supply Pension Scheme (ESPS). The CNPP defined benefit pension plan was closed to new employees with effect from 24 November 2008, from which time membership of a CNPP defined contribution plan is available.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlements to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the income statement on a straight line basis over the vesting period or immediately if the benefits have vested. When settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year.

The Company has applied the option in IAS 19 to recognise actuarial gains and losses in full in the statement of comprehensive income in the period in which they occur.

The defined benefit pension asset or liability comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

Notes to the financial statements (*continued*)

2.2 Summary of significant accounting policies *(continued)*

e Post-retirement benefits (continued)

The NDA is the principal employer of the CNPP. The Company does not have an unconditional right to actuarial surpluses on either the GPS or Sellafield sections of the CNPP. As a result, under IFRIC 14, surpluses are not recognised on the balance sheet. Any deficits, on both the GPS and Sellafield sections of the CNPP are recognised in full with a corresponding asset from the NDA for the full value of the deficit.

The Company is unable to identify its share of the underlying assets and liabilities of the ESPS on a consistent and reasonable basis and therefore, accounts for the scheme as if it were a defined contribution scheme.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

f Research and development expenditure and government credits

Research and development costs are expensed as incurred and are directly recoverable from the NDA under the M&O contract.

The Company claims research and development government credits in the UK, and these credits are judged to have characteristics more akin to grants than income taxes. Credits are recognised to the extent there is reasonable assurance they will be received which, given the necessary claims processes, can be some time after the original expense is incurred.

g Inventories

Inventories and work in progress were transferred to the NDA with effect from 1 April 2005 under the Energy Act 2004. Raw material and consumable costs are directly recoverable from the NDA under the terms of the M&O contract.

h Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

The Company's accounts historically included provisions for the Company's obligations in respect of nuclear liabilities, being liabilities in respect of the costs associated with nuclear decommissioning, waste management, and reprocessing of fuel from reactors. Following the restructuring under the Energy Act 2004, on 1 April 2005 the nuclear assets and liabilities on the Company's sites transferred to the NDA, which now has full financial responsibility for discharging the nuclear liabilities on these sites.

i Borrowing costs

Borrowing costs are recognised as an expense when incurred.

j Exceptional items

The Company presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Notes to the financial statements *(continued)*

2.2 Summary of significant accounting policies *(continued)*

k Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and the recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made where there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as remote.

l Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjustments made to the extent that it is no longer probable that sufficient profits will be available.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

m Derivatives and commodity contracts

If required the Company uses forward foreign currency contracts and currency options to reduce foreign exchange rate exposure on certain assets, liabilities and firm commitments. All treasury activities are carried out under policies approved by the Board. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

n Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

o Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

p De-recognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

Notes to the financial statements (*continued*)

2.3 Changes to accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the new and amended standards and interpretations issued during the year. The following amendments to existing standards and interpretations were effective for the year, but either they were not applicable to or did not have a material impact on the Company:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IAS 32 Financial Instruments: Presentations – Offsetting Financial Assets and Financial Liabilities (Amendments)
- IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (Amendments)
- IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting (Amendments)
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

All of the above were effective 1 January 2014.

New standards and interpretations not applied

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below and have not been adopted by the Company. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

- IAS 19 – Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

The directors do not expect the adoption of these standards and interpretations to have a material impact on the company financial statements in the period of initial application.

Notes to the financial statements (*continued*)

3 Significant accounting judgements, estimates and assumptions

Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Contractual negotiations

NDA and NMP are in the process of agreeing a commercial agreement associated with the termination of the Parent Body Agreement. The commercial agreement is expected to be finalised and signed by all parties in June 2015, and management's judgement is that these accounts reflect the expected final outcome.

Taxation

The Company is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned. Tax computations for all periods ending before 31 March 2013 have been agreed with the relevant authorities.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue earned on the M&O contract between the Company and the NDA

Management estimates are required to determine the net fees earned on the M&O contract between the Company and the NDA, in particular the fees earned based on the Company's performance against the NDA's milestones and efficiency targets.

Site Licence Company (SLC) costs under management

The SLC costs under management, which are recoverable from the NDA under the M&O contract, include management estimates for any known risks such as sub-contractor and supplier claims.

Research and development expenditure credits

The Company claims research and development government credits in the UK. Management judgement is required to determine the expenditure that is likely to meet HM Revenue & Custom's criteria for qualifying research and development credits. Research and development credits are recognised to the extent that there is reasonable assurance they will be received which, given the necessary claims processes, may be some time after the original expense is incurred.

Pension benefits

The cost of defined benefit pension plans and the present value of pension obligations are determined using actuarial valuations. An actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions, and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Notes to the financial statements (*continued*)

3 Significant accounting judgements, estimates and assumptions (*continued)*

Pension benefits (continued)

The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rates are based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Further details about the assumptions used are given in Note 17.

4 Revenue, net operating costs and expenses

During the years ended 31 March 2015 and 2014 the Company managed sites funded by the NDA as a Site Licence Company. Revenue represents the fees that are earned by the Company under the M&O contract with the NDA. During the year the Company earned fees of £39 million on the M&O contract with the NDA (2014: £37 million) and incurred costs recoverable under the M&O contract of £1,883 million (2014: £1,715 million).

	Year ended 31 March 2015 £M	Year ended 31 March 2014 £M
Other operating costs		
Disallowable costs	**3**	6
R&D tax credits shown as grant income	**(9)**	(8)
Taxation credit due to NDA	**3**	3
Operating costs and expenses (excluding exceptional items)	**(3)**	1

Disallowable costs

Disallowable costs represent costs that are not recoverable from the NDA under the terms of the M&O contract, and also include socio-economic costs paid by the Company of £1.7 million (2014: £4.5 million).

Geographical Segment Analysis

In both 2015 and 2014, all revenue, other operating costs and income respectively relates to the operation of the M&O contract in the UK.

Research and development expenditure

All research and development costs, £86 million (2014: £82 million) are included within Site Licence Company costs under management and relate to the Company and are directly recoverable from the NDA.

Notes to the financial statements (*continued*)

4 Revenue, net operating costs and expenses (*continued*)

Auditors' remuneration

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Audit	**105**	101
Other fees to auditors:		
Taxation services	**83**	94
Other services - fees receivable by the auditors and their associates	**8**	12
	196	207

Under the M&O contract, the above fees have been reimbursed by the NDA.

5 Remuneration of directors

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Directors' emoluments including payments to NMP for directors' services	**2,826**	3,404
Total directors' remuneration	**2,826**	3,404

Messrs Price, Beveridge, Foster, Mabe and Long are seconded to the Company from its parent company, NMP. They are remunerated as employees of the shareholding companies of NMP (see note 20) and are seconded to NMP.

The Company receives a charge from its parent for their services as directors, which is not necessarily related to the full remuneration received by the secondees. Estimated charges are accrued, which in 2014/15 totalled £2,697,000 (2013/14: £3,281,000). This amount is included in the analysis above, and includes an uplift to cover detached duties to the UK, tax equalisation and exchange rate fluctuations. The charge from NMP for 2014/15 includes credits for taxes, tax equalisation costs and other costs of £141,000 in respect of 2013/14 and previous periods. The charge from NMP for 2013/14 includes credits for taxes, tax equalisation costs and other costs of £222,000 in respect of 2012/13 and previous periods.

Under the M&O contract the above directors' costs and the costs of directors seconded from NMP are reimbursed by the NDA as allowable costs, and are not included within the net operating costs and expenses within note 4.

In 2014/15 the highest paid director was seconded to the Company from NMP as discussed above. The Company paid £730,000 to NMP for their services as a director, which includes an uplift to cover detached duties to the UK, tax equalisation and exchange rate fluctuations (2013/14: £857,000). The charge from NMP for the highest paid director for 2014/15 includes credits for taxes, tax equalisation and other costs of £5,000 in respect of 2013/14 and previous years. The charge from NMP for the highest paid director for 2013/14 included charges for taxes, tax equalisation and other costs of £165,000 in respect of 2012/13 and previous years.

In 2014/15 all the Executive directors are seconded to the Company from NMP. None of the directors are active members of the Company pension plans discussed in note 17 (2013/14: nil) and three of the directors are deferred members of the Combined Pension Scheme, which is also discussed in note 17 (2013/14: 3).

Total directors' remuneration in the table above also includes fees paid to non-executive directors.

Notes to the financial statements *(continued)*

6 Employee benefits expense

The average number of persons employed by the Company during the year was as follows:

	Year ended 31 March 2015 Number	Year ended 31 March 2014 Number
Average number of employees	**10,567**	10,031

The aggregate employee benefits expense of these persons was as follows:

	Year ended 31 March 2015 £M	Year ended 31 March 2014 £M
Wages and salaries	**531**	476
Social security costs	**53**	46
Pension costs	**90**	86
	674	608

Pension costs disclosed above include IAS 19 current and past service costs (note 17) charged to the income statement together with contributions paid to defined contribution schemes. All contributions paid are included in site licence costs under management and are recovered from the NDA on a paid basis. Amounts relating to IAS 19 charges are included in the income statement together with offsetting amounts reflecting the fact that any overall pension surplus or deficit is for the benefit of or to be funded by the NDA.

Under the M&O contract the above employee costs are reimbursed by the NDA, and are not included within the net operating costs and expenses within note 4.

Notes to the financial statements *(continued)*

7 Income tax

The major components of income tax expense for the years ended 31 March 2015 and 2014 are:

Income statement

	Year ended 31 March 2015 £M	Year ended 31 March 2014 £M
UK corporation tax		
Current income tax		
Current income tax charge	9	6
Deferred tax		
Relating to origination and reversal of temporary differences: deferred taxation in respect of taxable losses carried forward and other timing differences for the period	-	2
Income tax expense reported in the Income Statement	9	8

A reconciliation between the tax charge and the product of the accounting profit multiplied by the UK's domestic corporation tax rate for the years ended 31 March 2015 and 2014 is as follows:

	Year ended 31 March 2015 £M	Year ended 31 March 2014 £M
Profit from continuing operations before taxation	**42**	36
Accounting profit multiplied by the UK rate of corporation tax of 21% *(2014: 23%)*	9	8
Effects of:		
Permanent differences	-	(1)
Adjustments in respect of prior years	-	1
Total income tax charge	9	8

Notes to the financial statements *(continued)*

7 Income tax *(continued)*

Deferred tax

Deferred tax relates to the following:

	Statement of financial position		Income statement	
	2015	2014	**2015**	2014
	£M	£M	**£M**	£M
Corporation tax losses carried forward for offset against future taxable income	-	-	-	2
Deferred tax expense			-	2
Deferred tax asset	-	-		

Reconciliation of deferred tax asset

	2015	2014
	£M	£M
Opening balance at 1 April	-	2
Tax expense during the year recognised in income statement	-	(2)
Closing balance at 31 March	-	-

The Company continues to account for deferred taxation on a basis consistent with prior periods.

At 31 March 2015 the Company has gross Corporation tax losses carried forward of £nil (2014: £nil), resulting in a deferred tax asset of £nil (2014: £nil). The movements in the year give rise to a deferred tax charge in the Income Statement of £nil (2014: £2 million).

The Company has no unrecognised deferred taxation assets or liabilities at 31 March 2015 (2014: £nil).

Factors affecting the future tax charge

Under the M&O contract, deferred tax assets and R&D tax credits that arise after the acquisition of the company by NMP on 24 November 2008 are partially to the benefit of the NDA. As a result, the accounts include a creditor that reflects the NDA's interest in the Company's R&D tax credits (note 11).

There are no tax consequences attaching to the payment of dividends by the Company to its shareholder (note 14).

The UK corporation tax rate reduced from 23% to 21% with effect from 1 April 2014. A further 1% reduction in the corporation tax rate from 21% to 20% was also substantially enacted on 2 July 2013 and will be effective from 1 April 2015.

Notes to the financial statements *(continued)*

8 Other debtors

	2015	2014
	£M	£M
Other debtors	**43**	14
	43	14

The other debtors of £43 million (2014: £14 million) represent costs that will be recognised in future periods, and ultimately recovered from the NDA under the M&O contract.

9 Trade and other receivables

	2015	2014
	£M	£M
Company's fees and working capital recoverable from the NDA	**325**	306
R&D tax credit shown as grant income	**17**	8
Other debtors	**1**	-
	343	314

The other debtors of £1 million (2014: £nil) represent costs that will be recognised in future periods and recovered from the NDA under the M&O contract.

At 31 March 2015, the ageing analysis of the Company's fees and working capital recoverable from the NDA is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
	£M	£M	£M	£M	£M	£M	£M
2015	325	325	-	-	-	-	-
2014	306	306	-	-	-	-	-

For terms and conditions relating to related party receivables, refer to note 18. Fees and working capital recoverable from the NDA are non-interest bearing and are on terms set out in the M&O contract. There are no provisions for impairment of trade and other receivables at 31 March 2015 (31 March 2014: £nil). All trade and other receivables are denominated in Sterling.

Notes to the financial statements (*continued*)

10 Cash and cash equivalents

	2015 £M	2014 £M
Cash at bank and in hand	**2**	4
	2	4

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents at 31 March 2015 is £2 million (31 March 2014: £4 million). The Company only deposits cash surpluses with major banks of high quality credit standing. Under the terms of the PBA, NMP is required to make available working capital facilities of £20 million to the Company. At 31 March 2015 the Company had undrawn working capital facilities of £20 million (2014: £20 million).

On 13 January 2015, the NDA announced its intention to change the commercial model at Sellafield. Under the new arrangements, the PBA between NDA, NMP and the Company will terminate on 31 March 2016 or earlier, and at this point the Company will become a wholly owned subsidiary of NDA, and the working capital facilities of £20 million provided by NMP will also cease. The NDA has confirmed that it will ensure that working capital facilities will be in place with effect from the date that the Company becomes an NDA subsidiary.

11 Trade and other payables

Current liabilities	2015 £M	2014 £M
Trade payables	**44**	27
Amounts owed to Parent undertaking	**4**	3
Amounts owed to other related parties (see note 18)	**12**	17
Other taxes and social security costs	**39**	33
Accruals and deferred income (including employee creditors)	**222**	207
Corporation tax	**5**	7
NDA beneficial interest in the R&D tax credits	**7**	4
Finance lease creditor with NDA	**1**	-
	334	298

Non-current liabilities	2015 £M	2014 £M
Finance lease creditor with NDA	**24**	-
	24	-

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on net monthly terms;
- Other payables are non-interest bearing and have an average term of 6 months;
- For terms and conditions relating to related parties, refer to Note 18;
- For explanations on the Company's credit risk management processes, refer to Note 22.

Notes to the financial statements *(continued)*

12 Called up share capital

	2015 £M	2014 £M
Authorised		
43,000,000 Ordinary shares of £1 each	**43**	43
Allotted, called up and fully paid		
1 Ordinary share of £1 each (2014: 1)	**-**	-

13 Profit and loss account

	2015 £M	2014 £M
Profit and loss account movements:		
Surplus at 1 April	**34**	29
Total comprehensive income for the year	**33**	28
Dividends (note 14)	**(37)**	(23)
Closing balance at 31 March	**30**	34

14 Dividends paid and proposed

	2015 £000	2014 £000
Declared and paid during the year:		
Dividends on ordinary share:		
Final dividend for 2011/12	**-**	3,985
Interim dividends for 2012/13	**3,700**	18,515
Final dividend for 2012/13	**2,893**	-
Interim dividends for 2013/14	**25,500**	-
Final dividend for 2013/14	**2,231**	-
Interim dividend for 2014/15	**2,769**	-
	37,093	22,500

As discussed in note 12, the Company's issued share capital is 1 ordinary share of £1 (2014: 1), so the table above also reflects dividends per share.

15 Contingent liabilities

At 31 March 2015, the Company had contingent liabilities incurred in the ordinary course of business arising out of guarantees and other transactions in respect of which, in the opinion of the Directors, no material losses are expected to arise. Any liabilities that did arise on such guarantees would be recovered from the NDA under the M&O contract.

Notes to the financial statements *(continued)*

16 Obligations under leases

There are no capital commitments at the end of the financial year (2014: £nil).

Operating lease agreements where the Company is lessee

The Company has entered into commercial leases for certain properties and motor vehicles. The leases for motor vehicles have durations of between 3 and 4 years. The leases for properties have remaining durations of between 1 and 29 years. The property lease agreements contain an option for renewal, with these options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of the exercise. There are no restrictions placed upon the lessee by entering into these leases. Under the M&O contract, operating lease rentals are reimbursed by the NDA.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2015	2014
	£000	£000
Within one year	**4,561**	4,493
After one year but not more than five years	**4,530**	3,682
More than five years	**4,597**	1,627
Total minimum lease payments	**13,688**	9,802

The Company has sub-let certain properties, held under operating leases, to third parties. The rental income from these operating leases, including the effect of any lease incentives, is recognised on a straight line basis over the lease term. Under the terms of the M&O contract, rental income received from third parties is transferred to the NDA.

The future minimum sub-lease payments expected to be received under non-cancellable sub-lease agreements as at 31 March 2015 is £23,572,000 (2014: £24,879,000). The National Nuclear Laboratory (NNL) is the third party in the majority of these agreements.

Finance lease commitments

During the year the Company entered into 30 year leases with the NDA in respect of an office development with a rental value of £1,271,000 per annum. The lease liabilities are shown as finance lease creditors because the leases have many of the attributes of finance leases. Under the M&O contract, the future lease payments including finance charges will be reimbursed by the NDA, and the NDA bears the ultimate risks and rewards associated with the office development. As a result, instead of disclosing the office development as buildings held under finance leases, the reimbursement of the future lease payments by NDA are included in Other debtors in notes 8 and 9 respectively.

As discussed above, the Company has finance lease contracts for buildings. Future minimum payments under finance leases together with the present value of the net minimum lease payments are, as follows:

	2015	**2015**	2014	2014
	£000	**£000**	£000	£000
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Within one year	**1,271**	**1,229**	-	-
After one year but not more than five years	**5,084**	**4,570**	-	-
More than five years	**31,140**	**19,085**	-	-
Total minimum lease payments	**37,495**	**24,884**	-	-
Less amounts representing finance charges	**(12,611)**	**-**	-	-
Present value of minimum lease payments	**24,884**	**24,884**	-	-

Notes to the financial statements *(continued)*

17 Pension schemes

Schemes accounted for as defined contribution

Electricity Supply Pension Scheme (ESPS)

On 31 March 2007, the ESPS was sectionalised into various sections; however the Company remains unable to identify its share of the schemes' assets and liabilities on a consistent and reasonable basis as required by IAS 19. Consequently, the scheme has been accounted for as if the scheme was a defined contribution scheme. The pension charge for the period represents contributions payable by the Company to the ESPS, which are directly recoverable from the NDA and amounted to £120,946 (2014: £112,748).

The ESPS is a funded, defined benefit scheme. At 31 March 2015 the Company had 8 employees (2014: 9) who were active members of the ESPS, which has approximately 3,000 active members. The most recent triennial actuarial valuation of the scheme by a qualified independent actuary took place at 31 March 2013. The projected unit method was used. The results of the valuation were market value of scheme assets of £2,555M (2010 valuation: £1,959M), which represented a 100% level of funding (2010 valuation: 99%). As a result of the valuation, employer contributions increased from 21.4% to 24% on 1 January 2014.

The latest actuarial valuation has been updated by a qualified independent actuary to 31 March 2015 on a basis consistent with IAS 19. The results of this IAS 19 valuation are a total fair value of scheme assets of £2,755M (2014: £2,484M) and a deficit of £189M (2014: deficit £73M). There were outstanding employer contributions of £nil at 31 March 2015 (2014: £nil).

Detailed disclosures in relation to the ESPS are included in the Magnox Limited statutory accounts for the year ended 31 March 2015, which can be obtained from the registered office, Berkeley Centre, Berkeley, Gloucestershire, GL13 9PB.

Combined Pension Scheme (CPS)

Following the transfer of ownership of the Company to NMP on 24 November 2008, the future pensionable service of employees who were members of the CPS is met from the Combined Nuclear Pension Plan (CNPP). Pensionable service up to 24 November 2008 will be met from the CPS. The Company has no ongoing obligation to make contributions to the 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 private sector pension schemes. Any surplus of contributions made in excess of benefits paid out in any year is surrendered to the Consolidated Fund and any liabilities are met from the Consolidated Fund via the annual Parliamentary vote. Her Majesty's Government does not maintain a separate fund.

The CPS is accounted for as a defined contribution scheme. The pension charge for the period represents contributions payable by the Company to the CPS, which are directly recoverable from the NDA and amounted to £nil (2014: £nil). There were outstanding employer contributions of £nil at 31 March 2015 (2014: £nil).

Notes to the financial statements *(continued)*

17 Pension schemes *(continued)*

Schemes accounted for as defined benefit

The Company accounts for two sections of the Combined Nuclear Pension Plan (CNPP).

Combined Nuclear Pension Plan (CNPP) – Sellafield Section

Following the transfer of ownership of the Company to NMP on 24 November 2008, the future pensionable service of employees who were active members of the CPS is met from the Sellafield section of the CNPP.

The CNPP has separately administered funds and with effect from 24 November 2008 has been funded by contributions partly from employees and partly from the Company. The benefits are identical to the CPS. The Company contributes to the CNPP at rates recommended by the CNPP's professionally qualified actuary. The employer contribution rate was 22% in the year ended 31 March 2015 (2014: 22%). The principal employer for the CNPP is the NDA.

The CNPP is sectionalised into various sections, and there is a specific section for the Company. These financial statements reflect the Company's share of the IAS 19 assets and liabilities at 31 March 2015 and 31 March 2014 respectively.

The most recent triennial actuarial valuation of the scheme by a qualified independent actuary took place at 31 March 2013. The projected unit method was used. The results of the valuation were market value of scheme assets of £481M (2010 valuation: £146M), which represented a 103% level of funding (2010 valuation: 113%). As a result of the valuation, the employer contribution rate remained at 22%. An IAS 19 actuarial valuation for the Sellafield section was carried out at 31 March 2015 by a qualified independent actuary. There were outstanding employer contributions of £nil at 31 March 2015 (2014: £nil), which are directly recoverable from the NDA.

New employees joining the Company after 24 November 2008 are eligible to join a defined contribution section of the CNPP. This scheme is funded by contributions from both the employees and the Company. The Company contributes at rates ranging from 8% to 13.5% depending on the level of contributions chosen by each individual employee.

At 31 March 2015 the Company had 2,744 employees (2014: 2,026) who were active members of the defined contribution section of the CNPP. The pension charge for the year represents contributions payable by the Company to the CNPP, which are directly recoverable from the NDA and amounted to £9,519,928 (2014: £6,030,277).

Group Pension Scheme (GPS)

The Group Pension Scheme (GPS) is a funded scheme. The Company and other participating employers contribute to the GPS at rates recommended by the GPS's professionally qualified actuary. The employer contribution rate was 20% in the year ended 31 March 2015 (2014: 20%).

On 31 March 2007, the GPS was sectionalised into various sections. Following the sectionalisation, these financial statements reflect the Company's share of the IAS 19 assets and liabilities at 31 March 2015 and 31 March 2014 respectively. Of the active members within the section of the GPS relating to the Site Licence Companies (SLC section), the majority are employed by the Company. Consequently, the entire section has been reflected in these accounts.

Following the transfer of ownership of the Company to NMP on 24 November 2008, there was no change to the pension arrangements of those employees who are members of the GPS. The NDA has the role of principal employer in respect of the GPS.

The GPS-SLC section was merged into the CNPP from the GPS Pension Scheme with effect from 1 April 2012, and is a separate section of the CNPP. No changes were made to pension and benefit entitlements when the GPS-SLC section was merged into the CNPP.

The most recent triennial actuarial valuation of the scheme by a qualified independent actuary took place at 31 March 2013. The projected unit method was used. The results of the valuation were market value of scheme assets of £439M (2010 valuation: £338M), which represented a 95% level of funding (2010 valuation: 116%).

Notes to the financial statements *(continued)*

17 Pension schemes *(continued)*

As a result of the valuation, the employer contribution rate will increase to 28.7% with effect from 1 April 2015. An IAS 19 actuarial valuation for the Sellafield section was carried out at 31 March 2015 by a qualified independent actuary.

There were outstanding employer contributions of £489,104 at 31 March 2015 (2014: £492,861), which are directly recoverable from the NDA.

The following tables summarises the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the statement of financial position for the respective plans:

Net benefit expense, 2015			
	GPS Section of the CNPP	**CNPP**	**Total**
Recognised in Income Statement within Site Licence Company costs under management	**£000**	**£000**	**£000**
Current service cost	9,741	97,199	106,940
Net interest on the defined benefit liability	527	732	1,259
Net benefit expense	**10,268**	**97,931**	**108,199**
Recognised in Statement of comprehensive income			
Net actuarial (losses) recognised in year	**(39,211)**	**(136,081)**	**(175,292)**
Net benefit expense, 2014			
	GPS Section of the CNPP	**CNPP**	**Total**
Recognised in Income Statement within Site Licence Company costs under management	**£000**	**£000**	**£000**
Current service cost	10,582	110,672	121,254
Settlement (gains)	-	(559)	(559)
Net interest on the defined benefit liability	1,197	3,818	5,015
Net benefit expense	**11,779**	**113,931**	**125,710**
Recognised in Statement of comprehensive income			
Net actuarial gain recognised in year	**21,801**	**116,559**	**138,360**

Notes to the financial statements *(continued)*

17 Pension schemes *(continued)*

Benefit (liability), 2015	***GPS Section of the CNPP***	**CNPP**	**Total**
	£000	**£000**	**£000**
Defined benefit obligation	(590,571)	(984,070)	(1,574,641)
Fair value of plan assets	532,252	769,194	1,301,446
Benefit (liability)	**(58,319)**	**(214,876)**	**(273,195)**
Benefit (liability) recognised in statement of financial position	**(58,319)**	**(214,876)**	**(273,195)**

Benefit (liability), 2014	**GPS Section of the CNPP**	**CNPP**	**Total**
	£000	**£000**	**£000**
Defined benefit obligation	(470,969)	(636,449)	(1,107,418)
Fair value of plan assets	455,929	584,802	1,040,731
Benefit (liability)	**(15,040)**	**(51,647)**	**(66,687)**
Benefit (liability) recognised in statement of financial position	**(15,040)**	**(51,647)**	**(66,687)**

Notes to the financial statements *(continued)*

17 Pension schemes *(continued)*

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	GPS Section of the CNPP	CNPP	Total
	£000	£000	£000
Defined benefit obligation at 1 April 2013	470,725	587,147	1,057,872
Interest cost	19,867	25,187	45,054
Current service cost	10,582	110,672	121,254
Benefits paid	(8,157)	(3,600)	(11,757)
Actuarial (gains)	(23,763)	(97,078)	(120,841)
Employee contributions	1,715	16,741	18,456
Transfers	-	(2,620)	(2,620)
Defined benefit obligation at 31 March 2014	**470,969**	**636,449**	**1,107,418**
Interest cost	20,555	28,233	48,788
Current service cost	9,741	97,199	106,940
Benefits paid	(9,576)	(6,440)	(16,016)
Actuarial losses	97,009	211,677	308,686
Employee contributions	1,714	16,952	18,666
Transfers	159	-	159
Defined benefit obligation at 31 March 2015	**590,571**	**984,070**	**1,574,641**

Notes to the financial statements *(continued)*

17 Pension schemes *(continued)*

Changes in the fair value of plan assets are as follows:

	GPS Section of the CNPP	CNPP	Total
	£000	£000	£000
Fair value of plan assets at 1 April 2013	439,383	462,522	901,905
Expected return on plan assets	18,670	21,369	40,039
Employer contributions	6,280	70,350	76,630
Benefits paid	(8,157)	(3,600)	(11,757)
Actuarial (losses) / gains	(1,962)	19,481	17,519
Contributions by employees	1,715	16,741	18,456
Transfers	-	(2,061)	(2,061)
Fair value of plan assets at 31 March 2014	**455,929**	**584,802**	**1,040,731**
Expected return on plan assets	20,028	27,501	47,529
Employer contributions	6,201	70,783	76,984
Benefits paid	(9,576)	(6,440)	(16,016)
Actuarial gains	57,797	75,596	133,393
Contributions by employees	1,714	16,952	18,666
Transfers	159	-	159
Fair value of plan assets at 31 March 2015	**532,252**	**769,194**	**1,301,446**

Pension contributions are determined with the advice of independent qualified actuaries on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

Deloitte Total Reward and Benefits Limited is the CNPP actuary.

Notes to the financial statements *(continued)*

17 Pension schemes *(continued)*

At 31 March 2015 the scheme assets were invested in diversified portfolios that consisted primarily of equity and debt securities. The fair value of the scheme assets as a percentage of total scheme assets are set out below:

Group Pension Scheme Section of the CNPP	**2015**	**2014**
Equities & Diversified Growth Funds	60%	60%
Bonds & Gilts	31%	31%
Properties & Other	9%	9%
Combined Nuclear Pension Plan		
Equities & Diversified Growth Funds	53%	59%
Bonds & Gilts	28%	31%
Properties and other	19%	10%

The pension schemes have not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company. The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. These are reflected in the principal assumptions below.

The principal assumptions used in determining pension obligations for the Company's plans are shown below:

	GPS Section of the CNPP	GPS Section of the CNPP	**CNPP**	CNPP
Main assumptions:	**2015**	2014	**2015**	2014
	%	%	%	%
Future salary increases : years 1 to 3	**3.0**	-	**3.0**	-
Future salary increases : years 1 to 4	-	**3.35**	-	**3.35**
Future salary increases : years 4 to 13	**3.25**	-	**3.25**	-
Future salary increases : years 5 to 14	-	**3.6**	-	**3.6**
Future salary increases : years 14 and thereafter	**3.5**	-	**3.5**	-
Future salary increases : years 15 and thereafter	-	**3.85**	-	**3.85**
Future pension increases in payment or deferment	**3.0**	**3.35**	**3.0**	**3.35**
Discount rate	**3.2**	**4.4**	**3.2**	**4.4**
Inflation assumption	**3.0**	**3.35**	**3.0**	**3.35**
Post-retirement mortality (in years)				
Current pensioners at 65 - male	**22.8**	**22.7**	**22.8**	**22.7**
Current pensioners at 65 - female	**25.5**	**25.4**	**25.5**	**25.4**
Future pensioners at 65 (now 45) - male	**24.1**	**24.1**	**24.1**	**24.1**
Future pensioners at 65 (now 45) - female	**27.0**	**26.9**	**27.0**	**26.9**

Notes to the financial statements *(continued)*

17 Pension schemes *(continued)*

The UK discount rate is based on published indices for 15 year AA bonds. The assumptions for inflation and for increases in pension are based on the yield gap between long-term index-linked and long term fixed interest gilt securities. Mortality rates for the GPS are based on SAPS CMI14 projection (1% long term rate, k=90%) (2014: SAPS CMI13 projection (1% long term rate, k=90%)). As at 31 March 2015, mortality rates for the CNPP are based on SAPS CMI14 projection (1% long term rate, k=90%) mortality tables (2014: SAPS CMI13 projection (1% long term rate, k=90%)). For both sections, mortality assumptions have been adjusted to allow for expected future improvements in longevity.

The post–retirement mortality assumptions allow for expected increases to longevity. The 'current' disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with 'future' being that relating to an employee retiring in 2030.

Sensitivity Analysis

The impact on defined benefit obligations being;

Group Pension Scheme Section of the CNPP	**Increase**	**Decrease**
	£000	**£000**
0.5% change in discount rates: 2015	(58,467)	64,963
0.5% change in discount rates: 2014	(46,626)	51,807
0.5% change in salary increase: 2015	15,355	(15,355)
0.5% change in salary increase: 2014	12,245	(12,245)

Combined Nuclear Pension Plan	**Increase**	**Decrease**
	£000	**£000**
0.5% change in discount rates: 2015	(126,945)	144,658
0.5% change in discount rates: 2014	(82,101)	93,558
0.5% change in salary increase: 2015	67,901	(62,980)
0.5% change in salary increase: 2014	43,915	(40,733)

The most recently completed actuarial valuation of the GPS section was carried out as at 31 March 2013. Following the valuation, the Company's ordinary contribution rate will increase to 28.7% of pensionable salaries with effect from 1 April 2015. The next valuation is due to be completed as at 31 March 2016.

Notes to the financial statements *(continued)*

17 Pension schemes *(continued)*

During the year ended 31 March 2015, the Company's employer contribution rate for the CNPP scheme was 22% of pensionable salaries (2014: 22%).

The most recently completed actuarial valuation of the CNPP scheme was carried out as at 31 March 2013. Following the valuation, the Company's ordinary contribution rate will remain at 22% of pensionable salaries. The next valuation is due to be completed as at 31 March 2016.

The Company will monitor funding levels on an annual basis for both sections of the CNPP.

Employer contributions in the year ended 31 March 2016 are expected to be £8,898,000 (2014/15: £6,260,000) in respect of the GPS section and £71,256,000 (2014/15: £71,302,000) in respect of the CNPP defined benefit pension plan.

The levels of contributions are based on the current service costs and the expected future cash flows of the defined benefit schemes. The Company estimates the present value of the duration of UK scheme liabilities on average to fall due over 20-25 years.

The NDA is the principal employer of CNPP. The Company does not have an unconditional right to actuarial surpluses on either section of the CNPP. As a result, under IFRIC 14, surpluses are not recognised on the balance sheet. The deficits on both sections of the CNPP are recognised in full with a corresponding asset from the NDA for the full value of the deficit.

History of the net surplus/ (deficit) of the schemes

Amounts for the current and previous four periods are as follows:

GPS Section of the CNPP	**2015**	**2014**	**2013**	**2012**	**2011**
	£M	**£M**	**£M**	**£M**	**£M**
Defined benefit obligation	(590)	(471)	(470)	(381)	(335)
Plan assets	532	456	439	387	365
(Deficit)/surplus	(58)	(15)	(31)	6	30

Combined Nuclear Pension Plan	**2015**	**2014**	**2013**	**2012**	**2011**
	£M	**£M**	**£M**	**£M**	**£M**
Defined benefit obligation	(984)	(637)	(587)	(369)	(232)
Plan assets	769	585	462	349	248
(Deficit)/surplus	(215)	(52)	(125)	(20)	16

Notes to the financial statements *(continued)*

17 Pension schemes *(continued)*

History of experience of gains and losses

GPS Section of the CNPP	**2015**	**2014**	**2013**	**2012**	**2011**
	£000	**£000**	**£000**	**£000**	**£000**
Experience gains/(losses) on scheme assets: Amount	57,797	(1,962)	29,607	(2,657)	1,398
Experience gains on scheme liabilities: Amount	2,772	4,186	1,362	-	19,467

Combined Nuclear Pension Plan	**2015**	**2014**	**2013**	**2012**	**2011**
	£000	**£000**	**£000**	**£000**	**£000**
Experience gains/(losses) on scheme assets: Amount	75,596	19,481	8,450	(1,434)	4,147
Experience gains/(losses) on scheme liabilities: Amount	616	3,178	(6)	88	(2,210)

18 Related party disclosures

During the year the Company incurred costs of £6,358,000 from its parent company in respect of the cost of directors and senior managers seconded from NMP to the Company (2014: £6,658,000). The amount owed to NMP at 31 March 2015 was £3,552,000 (2014: £3,017,000).

There were no other transactions with NMP except for dividends and interest payments.

URS International Holdings (UK) Limited, AMEC Nuclear Holdings Limited and Areva-NC, and other entities within their groups, are considered to be related parties of the Company. During the year ended 31 March 2015 the Company entered into transactions in the ordinary course of business with these related parties resulting in purchases of £54,073,000 (2014: £57,975,000). At 31 March 2015 the Company owed £12,307,000 (2014: £17,120,000) in respect of these transactions.

Sales and purchases between related parties are made on arms length terms. Outstanding balances with entities are unsecured, interest free and the standard payment terms of 30 days net monthly apply. During the year ended 31 March 2015 the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2014: £nil).

NDA is also considered to be a related party of the Company. During the year the Company earned fees of £39 million on the M&O contract with the NDA (2014: £37 million) and incurred costs of £1,883 million (2014: £1,715 million). These costs were reimbursed by the NDA under the terms of the M&O contract. At 31 March 2015 the Company had debtors of £325 million with the NDA in respect of fees and working capital recoverable under the M&O contract (2014: £306 million), £273 million in respect of the pension deficit receivable (2014: £67 million) and £44 million in respect of other receivables (2014: £14 million). The Company also had liabilities of £34 million with the NDA in respect of trade and other payables (2014: £12 million).

Notes to the financial statements *(continued)*

19 Key management personnel

Compensation of key management of the Company

Under the terms of IAS 24 'Related Party disclosures', the key management personnel are those persons who have the authority and responsibility for 'planning, directing and controlling the activities of the entity'. Following a restructure of the Sellafield organisation structure, the directors consider that the key management personnel of the Company are the members of the wider Sellafield Executive Committee. In 2015, the key management personnel were the directors and other senior managers seconded from NMP, plus other senior executives who are employees of Sellafield Limited.

The costs associated with the key management personnel are set out in the table below, and where appropriate include an uplift to cover detached duties in the UK, tax equalisation and exchange rate fluctuations.

Key management personnel	**Year ended 31 March 2015**	**Year ended 31 March 2014**
	£000	**£000**
Short-term employee benefits	7,652	7,870
Short-term employee benefits in respect of previous years	(444)	(1,039)
Post employment pension and medical benefits	112	96
Total key management personnel costs	**7,320**	**6,927**

The post employment pension and medical benefits costs for the Sellafield Limited employees within the key management personnel for the year ended 31 March 2015 were £112,000 (2014: £96,000).

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

On 24 November 2008, 100% of the shares of the Company were transferred to Nuclear Management Partners Limited (NMP), a company registered and incorporated in England and Wales, which is itself owned by URS International Holding (UK) Limited (44%), AMEC Nuclear Holdings Limited (36%) and Areva-NC (20%). The financial statements of NMP are available to the public and may be obtained from Booths Park, Knutsford, Cheshire WA16 8QZ.

Since 24 November 2008, NMP is considered to exert significant influence over the financial and operating policies of Sellafield Limited. The management team of Sellafield Limited retains "controlling mind" responsibilities for safety, security and environmental issues related to the nuclear licensed sites operated by the company. Under the terms of the contract between the Company and the NDA, the NDA has certain rights of approval over the financial and operating policies of Sellafield Limited.

On 13 January 2015, the NDA announced its intention to change the commercial model at Sellafield. Under the new arrangements, the NDA will terminate the Parent Body Agreement (PBA) between NMP, NDA and the Company, and after a period of transition, Sellafield Limited will become a wholly owned subsidiary of the NDA. The transition to the new arrangements is expected to take around 15 months to complete, during such time the existing arrangements will continue with NMP being the shareholder of Sellafield Limited.

On 26 March 2015 NDA implemented the termination for convenience clause in the PBA, which states that NDA is entitled at any time and for any reason to terminate the PBA with twelve months notice.

Notes to the financial statements (continued)

21 Post Balance Sheet Events

A further interim dividend of £7,500,000 for the year ended 31 March 2015 was declared by the Board on 18 May 2015 and paid to the shareholder on 22 May 2015. NDA and NMP are in the process of agreeing a commercial agreement associated with the termination of the PBA. The commercial agreement is expected to be finalised and signed by all parties in June 2015, and these accounts reflect the expected final outcome.

22 Derivatives and other financial instruments

As explained in note 2.2m, if required the Company uses derivatives and other financial instruments in managing the risk associated with its business. The Company does not engage in speculative treasury arrangements, and all of its activities are designed to support underlying business activities. All treasury activities are carried out under policies approved by the Board.

At 31 March 2015, the Company had no foreign exchange forward contracts in place (2014: nil).

Working capital

Under the industry model, the Company does not have major working capital requirements because almost all expenditure at the UK sites where the Company is the M&O contractor is funded by the NDA under defined contract terms. Under the terms of the PBA, NMP is required to make available a working capital facility of £20 million. The facility entitles the Company to withdraw funds of up to £20 million to allow the Company to fulfil its obligations under the M&O contract. The Company made regular use of the facility during the financial year, however at 31 March 2015 and 31 March 2014, the Company had repaid all funds drawn-down from the facility and had a £nil balance owing to NMP.

On 13 January 2015, the NDA announced its intention to change the commercial model at Sellafield. Under the new arrangements, the PBA between NDA, NMP and the Company will terminate on 31 March 2016 or earlier, and at this point the Company will become a wholly owned subsidiary of NDA, and the working capital facilities of £20 million provided by NMP will also cease. The NDA has confirmed that it will ensure that working capital facilities will be in place with effect from the date that the Company becomes an NDA subsidiary.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury function in accordance with Company policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party.