

PACIFIC NUCLEAR TRANSPORT LIMITED

Registered No. 1228109

Annual Report and Financial Statements for the year ended 31 March 2010

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DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 March 2010

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,046,000 (2009 Restated £2,471,000) A dividend of £2,400,000 was proposed and paid in the financial year (2009 £1,000,000) As stated in note 13 to the Accounts, since the balance sheet date of 31 March 2010, a dividend of £1,000,000 has been declared which will be paid during the financial year ended 31 March 2011

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company's principal activities during the year continued to be the transport of nuclear materials between Japan and Europe The Company's revenue for the financial year ended 31 March 2010 was derived mainly from the provision of transport services for MOX fuel and high level waste (HLW) between Japan and Europe, accounting for 86% of total turnover (2009 85%) Revenue from flask hire, decommissioning and miscellaneous transport services represent the remaining 14% (2009 15%)

During the financial year the Company launched the Pacific Egret, a new purpose built MOX vessel, which will replace the Pacific Pintail Shortly after the end of the financial year the Company also launched the Pacific Grebe, a new purpose built HLW vessel, which will replace the Pacific Sandpiper

Pacific Sandpiper successfully delivered the first shipment of HLW from Sellafield during the financial year, consisting of 28 stainless steel containers of solid highly active waste Pacific Heron and Pacific Pintail arrived in Japan early in the financial year, delivering 8 flasks of MOX fuel from Europe Both vessels made the return voyage back to the UK during the year Shortly after the financial year ended a further voyage to deliver MOX fuel from Europe to Japan commenced

The Company's subsidiary undertaking, Seabird KK, did not trade during the year During the financial year a written resolution was passed by the directors of the Company for the dissolution of the subsidiary due to lack of corporate activity This will be concluded during the financial year ended 31 March 2011

Key performance indicators

	<i>Actual (£m)</i>	<i>Target (£m)</i>
<i>Turnover</i>	<i>£22.7</i>	<i>£26.5</i>
<i>Profit before dividends</i>	<i>£1.0</i>	<i>£1.3</i>
<i>Capital expenditure (excl capitalised decommissioning costs)</i>	<i>£76.6</i>	<i>£62.2</i>

Whilst profit before dividends was broadly in line with expectations, turnover was £3.8m lower than expected Turnover is derived from the immediate parent undertaking, International Nuclear Services Limited, as costs are charged by the Company at cost plus a management fee Thus the drop in turnover is driven by cost decreases, some of which are as a result of delayed activities in line with customer requirements and some relating to lower than budgeted depreciation costs as a result of capitalising fixed assets later in the year than planned and a review of useful economic lives in the financial year

The Company's management team will continue to adopt the strategy of managing costs effectively, whilst maintaining the highest standards of safety, efficiency, effectiveness and delivery to customers Capital expenditure was higher in relation to 2 new ships and flasks for MOX transportation and was in line with revised programmes agreed with customers

DIRECTORS' REPORT continued

FUTURE DEVELOPMENTS

Delivery to the UK of the 2 new vessels, the Pacific Grebe and Pacific Egret, will take place during the financial year ended 31 March 2011. The Company will also continue with purchases of new flasks for MOX transportation.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company has established a risk review team that meets regularly and which evaluates the key risks facing the Company and the action required to mitigate these risks. Key risks and uncertainties facing the Company can be broadly grouped as asset/route availability risk, legislative and financial instrument risk.

Legislative risk

Existing legislation requires package licences to be obtained from the competent authorities prior to shipment. If package licences are delayed this would result in a delay to the shipment until the licence is obtained. A dedicated team is responsible for reviewing and identifying all licence requirements. Any risks in relation to obtaining licences are identified with appropriate mitigating action taken where required as far as is possible given the external regulatory influences.

Asset/route availability risks

The nature of the business means that the Company requires the appropriate access to a number of international shipping routes and the appropriate assets (both existing and new assets) to enable safe and effective transportation. If routes are blocked, existing assets have technical failures or new assets are unable to be procured at the appropriate time then the Company's ability to meet transport requirements may be at risk. This risk is managed by reviewing on a regular basis all assets and routes required to meet transportation requirements. Any risks to meeting these requirements are identified with appropriate mitigating action taken where required.

Financial instrument risks

The investment policy of the Company is to hold funds in bank deposits which are invested on a short-term basis in the money market. Liquidity is managed by preparing short and medium-term cash flow forecasts against which the maturity of bank deposits is timed. The Company does not use any other financial instruments to manage financial risk.

Some cash balances are held in bank accounts not legally owned by the Company but held legally by a key supplier to the Company in relation to shipping services. A Deed of Trust is in place to protect against the counter-party risk faced by the Company, together with key financial controls in relation to monitoring cash balances and expenditure and also limiting the balances in such accounts to a minimum level required to support continued operations.

SUPPLIER PAYMENT POLICY

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. The Company's main payment terms are net monthly. Suppliers are made aware of the terms of payment, with terms settled on agreement of the details of each transaction. The average age of invoices outstanding at 31 March 2010 was 12 days (2009: 35 days).

DIRECTORS' REPORT continued

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains directors' and officers' liability insurance covering 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

The Directors who served during the year were as follows

J S Clarke (Chairman)
A A Brown
M C Jervis
A L Greaves
M Mochizuki
K Kuwahara
C Weber-Guevera
J Edwards (appointed 16 July 2009)
Capt M L Miller (resigned 16 July 2009)

CHARITABLE AND POLITICAL DONATIONS

During the year the Company made charitable donations of £6,190 (2009 £5,600), principally to local charities serving the communities in which the Company operates. There were no political donations made in the year (2009 £nil)

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving the Directors' Report are listed above. Having made enquiries of fellow directors and of the Company's auditors, each of these directors (other than those that have resigned as indicated above) confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board,



M C Jervis
Director

16 July 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union

Under Company Law the directors must not approve the 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 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 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, and
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements, 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 financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. 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 PACIFIC NUCLEAR TRANSPORT LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Pacific Nuclear Transport Limited for the year ended 31 March 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 27. 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 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 group's and parent 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.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2010 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

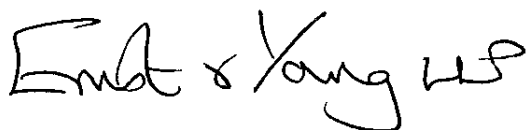
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PACIFIC NUCLEAR TRANSPORT LIMITED continued

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Julian Yates (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

Date 23 July 2010

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2010

	Notes	2010 £000	Restated 2009 £000
Revenue	5	22,745	19,939
Operating costs	6	(20,776)	(18,327)
Gains on disposal of property, plant & equipment		89	1,250
Operating profit		2,058	2,862
Finance revenue	9	203	1,307
Finance costs	10	(1,212)	(1,715)
Profit before tax		1,049	2,454
Tax expense	11	(3)	(3)
Profit for the financial year		1,046	2,451
Other comprehensive income:			
Exchange differences on translating foreign operations		-	20
Actuarial gains/(losses) in defined benefit pension schemes	23	4,106	(477)
Movement in amount recoverable from immediate parent undertaking relating to defined benefit pension scheme deficits	23	(4,106)	477
Total comprehensive income for the year		1,046	2,471

All amounts derive from continuing operations

Consolidated Statement of Financial Position

as at 31 March 2010

		2010	Restated 2009	2008
	Notes	£000	£000	£000
Non-current assets				
Property, plant and equipment	14	264,944	187,983	154,165
Current assets				
Trade and other receivables	17	7,846	10,098	10,062
Current asset investments	18	13,700	-	-
Cash and cash equivalents	19	16,867	17,810	43,431
		<u>38,413</u>	<u>27,908</u>	<u>53,493</u>
Total assets		<u>303,357</u>	<u>215,891</u>	<u>207,658</u>
Current liabilities				
Trade and other payables	20	(57,915)	(42,300)	(40,992)
Provisions	21	(1,909)	(1,548)	(1,743)
Current tax liabilities		(3)	(3)	(2)
		<u>(59,827)</u>	<u>(43,851)</u>	<u>(42,737)</u>
Non-current assets less net current liabilities		<u>243,530</u>	<u>172,040</u>	<u>164,921</u>
Non-current liabilities				
Trade and other payables	20	(172,630)	(102,054)	(101,028)
Provisions	21	(59,195)	(53,177)	(49,120)
Defined benefit pension scheme deficits	23	(6,252)	(10,002)	(9,437)
		<u>(238,077)</u>	<u>(165,233)</u>	<u>(159,585)</u>
Net assets		<u>5,453</u>	<u>6,807</u>	<u>5,336</u>
Equity				
Share capital	22	2,000	2,000	2,000
Retained earnings		3,443	4,797	3,346
Foreign currency translation reserve		10	10	(10)
Total equity		<u>5,453</u>	<u>6,807</u>	<u>5,336</u>

The financial statements were approved by the Board of directors and authorised for issue on 16 July 2010 and were signed on its behalf by



M C Jervis
Director
16 July 2010

Company Statement of Financial Position

as at 31 March 2010

	Notes	2010 £000	2009 £000	2008 £000
Non-current assets				
Property, plant and equipment	14	264,944	187,983	154,165
Investments in subsidiaries	15	62	62	62
		<u>265,006</u>	<u>188,045</u>	<u>154,227</u>
Current assets				
Trade and other receivables	17	7,846	10,098	10,062
Current asset investments	18	13,700	-	-
Cash and cash equivalents	19	16,795	17,738	43,379
		<u>38,341</u>	<u>27,836</u>	<u>53,441</u>
Total assets		<u>303,347</u>	<u>215,881</u>	<u>207,668</u>
Current liabilities				
Trade and other payables	20	(57,915)	(42,300)	(40,992)
Provisions	21	(1,909)	(1,548)	(1,743)
Current tax liabilities		(3)	(3)	(2)
		<u>(59,827)</u>	<u>(43,851)</u>	<u>(42,737)</u>
Non-current assets less net current liabilities		<u>243,520</u>	<u>172,030</u>	<u>164,931</u>
Non-current liabilities				
Trade and other payables	20	(172,630)	(102,054)	(101,028)
Provisions	21	(59,195)	(53,177)	(49,120)
Defined benefit pension scheme deficits	23	(6,252)	(10,002)	(9,437)
		<u>(238,077)</u>	<u>(165,233)</u>	<u>(159,585)</u>
Net assets		<u>5,443</u>	<u>6,797</u>	<u>5,346</u>
Equity				
Share capital	22	2,000	2,000	2,000
Retained earnings		3,443	4,797	3,346
Total equity		<u>5,443</u>	<u>6,797</u>	<u>5,346</u>

The financial statements were approved by the Board of directors and authorised for issue on 16 July 2010 and were signed on its behalf by



M C Jervis
Director
16 July 2010

Statement of Cash Flows

for the year ended 31 March 2010

	Note	Group		Parent	
		2010	Restated 2009	2010	Restated 2009
		£000	£000	£000	£000
Cash flows from operating activities					
Operating profit		2,058	2,862	2,058	2,862
Depreciation of property, plant and equipment	14	6,035	5,750	6,035	5,750
Gain on disposal of property, plant and equipment		(89)	(1,250)	(89)	(1,250)
Actuarial loss on retirement benefit obligations	23	(1,064)	(739)	(1,064)	(739)
Increase in provisions		54	2	54	2
(Increase)/decrease in trade and other receivables		(1,635)	328	(1,635)	328
Increase in advance payments		70,834	328	70,834	328
Increase in trade and other payables		710	1,740	710	1,740
Finance costs		(973)	(1,471)	(973)	(1,471)
Income tax paid		(3)	(2)	(3)	(2)
Net cash inflow from operating activities		75,927	7,548	75,927	7,548
Cash flows from investing activities					
Interest received		196	1,508	196	1,508
Proceeds on disposal of property, plant and equipment		89	1,250	89	1,250
Purchases of property, plant and equipment		(61,055)	(34,947)	(61,055)	(34,947)
Net cash outflow from investing activities		(60,770)	(32,189)	(60,770)	(32,189)
Cash flow from financing activities					
Dividends paid	13	(2,400)	(1,000)	(2,400)	(1,000)
Net cash outflow from financing activities		(2,400)	(1,000)	(2,400)	(1,000)
Net increase/(decrease) in cash and cash equivalents		12,757	(25,641)	12,757	(25,641)
Cash and cash equivalents at beginning of year	19	17,810	43,431	17,738	43,379
Effect of foreign exchange rate changes		-	20	-	-
Transfers to current asset investments		(13,700)	-	(13,700)	-
Cash and cash equivalents at end of year	19	16,867	17,810	16,795	17,738

Statement of Changes in Equity

For the year ended 31 March 2010

	Share capital £000	Retained earnings £000	Foreign currency translation reserve £000	Total equity £000
Group				
Balance at 1 April 2008	2,000	3,346	(10)	5,336
Dividend paid	-	(1,000)	-	(1,000)
Total comprehensive income for the year (restated)	-	2,451	20	2,471
Balance at 31 March 2009	2,000	4,797	10	6,807
Dividend paid	-	(2,400)	-	(2,400)
Total comprehensive income for the year	-	1,046	-	1,046
Balance at 31 March 2010	2,000	3,443	10	5,453
Parent				
Balance at 1 April 2008	2,000	3,346	-	5,346
Dividend paid	-	(1,000)	-	(1,000)
Total comprehensive income for the year	-	2,451	-	2,451
Balance at 31 March 2009	2,000	4,797	-	6,797
Dividend paid	-	(2,400)	-	(2,400)
Total comprehensive income for the year	-	1,046	-	1,046
Balance at 31 March 2010	2,000	3,443	-	5,443

The balance classified as share capital includes the total net proceeds on issue of the Company's share capital, comprising £1 ordinary shares

Dividend paid during the year ended 31 March 2010 equated to 120p (2009 50p) per share

Notes to the financial statements

for the year ended 31 March 2010

1. Authorisation of financial statements and statement of compliance with IFRS

The financial statements of Pacific Nuclear Transport Limited for the year ended 31 March 2010 were authorised for issue by the Board of directors on 16 July 2010 and the statement of financial position was signed on the Board's behalf by M C Jervis

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 March 2010

2. General Information

The Company is a limited company incorporated in the United Kingdom under the Companies Act 2006. The registered office is Herdus House, Westlakes Science and Technology Park, Moor Row, Cumbria, CA24 3HU. The Company's principal activities are set out in the Directors' Report.

The immediate parent undertaking is International Nuclear Services Limited. The ultimate parent undertaking is the Nuclear Decommissioning Authority ('NDA'). The consolidated financial statements of the NDA are available to the public and may be obtained from its headquarters at Herdus House, Westlakes Science & Technology Park, Moor Row, Cumbria, CA24 3HU. In the Directors' opinion, the Company's ultimate controlling party is Her Majesty's Government.

These financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

3. Significant accounting policies

Basis of preparation

These financial statements have been prepared under the historical cost convention.

These financial statements are the first to be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Previously the Company's financial statements had been prepared in accordance with Generally Accepted Accounting Principles in the UK (UK GAAP). UK GAAP differs in some areas from IFRS. In preparing these financial statements, the Company has applied the principles set out in IFRS 1 – First-time Adoption of International Financial Reporting Standards (IFRS 1). IFRS 1 sets out the procedures that must be followed when adopting IFRS for the first time as the basis for preparing the financial statements. The Company is required to establish its IFRS accounting policies and, in general, apply these retrospectively to determine the IFRS opening statement of financial position at the date of transition (1 April 2008) and then throughout all subsequent periods. The disclosures required by IFRS 1, including the reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the comprehensive income, equity, and cash flows are provided in note 27.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary company Seabird KK for the year ended 31 March 2010. No statement of comprehensive income is presented for Pacific Nuclear Transport Limited as permitted by section 408 of the Companies Act 2006.

Notes to the financial statements (continued)

for the year ended 31 March 2010

3. Significant accounting policies continued

Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations have been adopted. Their adoption has not had any significant impact on the amounts reported in these financial statements but has affected the presentation and disclosure.

IAS 1 (revised 2007) Presentation of Financial Standards	IAS 1(2007) has introduced a number of changes in the format and content of the financial statements
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At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but have not yet been adopted by the EU)

International Accounting Standards (IAS/IFRS)		Effective Date *
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2009
IFRS 1	Amendments to IFRS 1 – Additional Exemptions for First-time adopters	1 January 2010
IFRS 1	Amendments to IFRS 1 – Limited Exemption from Comparative IFRS 7 disclosures	1 July 2010
IFRS 2	Amendments to IFRS 2 – Group cash – settled Share-based payment transactions	1 January 2010
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 9	Financial Instruments Classification and Measurement	1 January 2013
IAS 24	Related Party Disclosures (revised)	1 January 2011
IAS 27	Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009
IAS 32	Amendment to IAS 32 Classification of Rights Issues	1 February 2010
IAS 39	Eligible Hedged Items	1 July 2009
	Improvements to IFRS (issued April 2009)	
International Financial Reporting Interpretations Committee (IFRIC)		Effective Date *
IFRIC 14	Amendment Payments of Minimum Funding Requirement	1 January 2011
IFRIC 17	Distribution of Non-Cash assets to Owners	1 January 2010
IFRIC 18	Transfer of Assets from Customers	1 July 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2010

* Effective date as per the original IASB/IFRIC standards and interpretations, these have not yet been endorsed by the European Union (EU). As the Company prepares its financial statements in accordance with IFRS adopted by the EU, the application of the new standards and interpretations will be subject to their endorsement for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation, but the need for endorsement restricts the Company's discretion to early adopt standards. The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company.

Notes to the financial statements (continued)

for the year ended 31 March 2010

3. Significant accounting policies continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in respect of products delivered and services rendered to its immediate parent undertaking, International Nuclear Services Limited in the normal course of business

Foreign currencies

The financial statements are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted rate if the transaction is covered by a forward foreign exchange contract. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less provision for any impairment.

Retirement benefit costs

The Company participates in two industry wide defined benefit pension schemes, the Merchant Navy Officers' Pension Fund and the Merchant Navy Ratings' Pension Fund, both of which require contributions to be made to separately administered funds. The schemes are funded by payments determined by periodic calculations prepared for the trustees to the schemes by the schemes' professionally qualified actuaries. These contributions are designed to secure the benefits set out in the rules.

For the purposes of producing appropriate figures for inclusion in the accounts, a professionally qualified actuary is appointed each year by the Company. The figures in the financial statements are based on the actuarial calculations which were prepared for the trustees to the schemes and then adjusted to allow for the proportions of the assets and liabilities which the Company has been informed are attributable to it and to allow for the differences between the actuarial assumptions used for funding purposes and those which are compliant with IAS 19.

Notes to the financial statements (continued)

for the year ended 31 March 2010

3. Significant accounting policies continued

Retirement benefit costs continued

The deficits recognised in full on the statement of financial position represent the present values of the defined benefit obligations at the reporting date, less the fair value of the scheme assets, to the extent that they are attributable to the Company. The defined benefit obligations represent the estimated amount of future benefits that employees have earned in return for their services in current and prior periods, calculated using the projected unit method and discounted at a rate representing the yield on a high quality bond at the reporting date, denominated in the same currency as the obligations and having the same terms to maturity as the related pension liability, applied to the estimated future cash outflows arising from these obligations. As the resulting deficit is fully recoverable from the immediate parent undertaking, International Nuclear Services Limited, under the Company's contractual arrangements, a matching receivable has also been recognised on the statement of financial position. Movements in the schemes' deficits are split between operating charges, financing charges and actuarial gains and losses, all of which are recorded within the statement of comprehensive income.

The Company also participates in two industry-wide defined contribution pension schemes which require contributions to be made to a separately administered fund. Contributions are charged to operating charges as they become payable in accordance with the rules of the scheme.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Notes to the financial statements (continued)

for the year ended 31 March 2010

3. Significant accounting policies continued

Property, plant and equipment

Property, plant and equipment are stated at cost (including decontamination and disposal costs, where appropriate) less accumulated depreciation and any recognised impairment loss. Assets under construction are stated at cost and not depreciated until brought into use.

Depreciation is charged so as to write off the cost of the assets, other than assets under construction, to their residual values over their estimated useful lives, using the straight-line method, on the following bases:

Fixtures and fittings	3 to 10 years
Plant and equipment	10 to 15 years

Residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified as either financial assets 'at fair value through profit or loss' (FVTPL) or loans and receivables. Financial assets are initially recognised at fair value plus transaction costs, except for those assets classified as at fair value through profit or loss, which are initially measured at fair value (transaction costs are expensed in operating costs).

Notes to the financial statements (continued)

for the year ended 31 March 2010

3. Significant accounting policies continued

Financial assets at FVTPL

Financial assets are classified as at fair value through profit or loss (FVTPL) where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future or it is a derivative that is not designated and effective as a hedging instrument. A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Trade and other receivables, and cash and cash equivalents, that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying value of the financial asset.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Notes to the financial statements (continued)

for the year ended 31 March 2010

3. Significant accounting policies continued

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' (FVTPL) or other financial liabilities

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if it is a derivative that is not designated and effective as a hedging instrument. A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying value of the financial liability.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled or they expire.

Capital advance payments

Capital advance payments reflect cash receipts from the immediate parent undertaking in relation to capital projects and are released to the consolidated income statement as those assets are utilised in the business.

Notes to the financial statements (continued)

for the year ended 31 March 2010

3. Significant accounting policies continued

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Provisions are made for the costs of decontamination and disposal of flasks. Provisions are recognised in full and the costs are capitalised as part of the costs of the asset and depreciated accordingly. To the extent that costs are recoverable from third parties, they are treated as residual values of the assets concerned and depreciation is adjusted accordingly. Changes in estimates are treated as adjustments to the assets concerned. The provisions are stated in the statement of financial position at current price levels discounted at an appropriate real rate of return to take into account the timing of the payments. Each year the financing charges in the statement of comprehensive income include a revalorisation charge which reflects the need to remove one year's discount from provisions made in prior years and the restatement of these provisions to current price levels. To the extent that this charge is recoverable from customers, it is capitalised.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the Company's accounting policies and that would have a significant effect on the amounts recognised in the financial statements.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting 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.

Estimated useful lives and impairment of property, plant and equipment

Property, plant and equipment is depreciated over the estimated useful lives of the underlying assets. Estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date. Impairment is measured by comparing the carrying value of the fixed asset or cash-generating unit with its recoverable amount. All assets are reviewed for evidence of impairment. Given the age of the assets, this calculation has a degree of uncertainty within it. The carrying amount of property, plant and equipment at the reporting date was £264,944,000 (2009: £187,983,000).

Notes to the financial statements (continued)

for the year ended 31 March 2010

4. Critical accounting judgements and key sources of estimation uncertainty continued

Provisions

The calculation of provisions requires the estimation of future costs, discount rates and the expected timing of cash flows relating to the decontamination and disposal of flasks. The nature of the costs and the expected timing of cash flows mean that this calculation has a degree of uncertainty within it. The carrying amount of provisions at the reporting date was £61,104,000 (2009 £54,725,000).

Retirement benefit obligations

The nature of the process for valuing retirement benefit obligations for defined benefit schemes means that the calculations and the resulting deficits are estimates only. However, in the opinion of the directors, the deficits recognised are the best estimates based on information available at the date of approving these financial statements. The carrying amount of the retirement benefit obligations at the reporting date was £6,252,000 (2009 £10,002,000). As this deficit is fully recoverable from the immediate parent undertaking the deficit is matched by a receivable of the same carrying amount.

5. Revenue

Revenue, which is stated net of value added tax, represents amounts invoiced to the immediate parent undertaking. Revenue is attributable to two main activities, the transport of nuclear materials between Japan and Europe and secondly decommissioning and related services. Revenue and operating profit materially arises from sources and destinations in the UK.

6. Operating costs

Operating costs include

	2010 £000	2009 £000
Net foreign exchange gains	-	(9)
Depreciation of property, plant and equipment	6,035	5,750
Auditors' remuneration in respect of the statutory audit of the company	18	18
Auditors' remuneration in respect of the audit of pension contributions	2	2
Auditors' remuneration in respect of review of conversion to International Financial Reporting Standards	12	-
Staff costs excluding directors' emoluments (see note 7)	5,296	4,883
Directors' emoluments	21	19

Notes to the financial statements (continued)

for the year ended 31 March 2010

7. Staff costs

The average monthly number of employees was as follows

	2010 No.	2009 No.
Officers and crew	116	108

Their aggregate remuneration comprised

	2010 £000	2009 £000
Wages and salaries	4,569	4,155
Social security costs	439	388
Pension costs (see note 23)	288	340
	5,296	4,883

All executive and administrative functions are undertaken by employees of the immediate parent undertaking

8. Directors' emoluments

	2010 £000	2009 £000
Emoluments	21	19

No pension contributions were made on behalf of any directors

9. Finance revenue

	2010 £000	2009 £000
Interest income on bank deposits	203	1,307

Notes to the financial statements (continued)

for the year ended 31 March 2010

10. Finance costs

	2010 £000	2009 £000
Revaluation of nuclear provisions (see note 21)	3,242	1,929
Less amounts capitalised as recoverable from customers	(3,239)	(1,927)
	3	2
Interest payable to immediate parent undertaking	144	972
Bank loans and overdrafts	1	2
Net finance cost on defined benefit pension schemes (see note 23)	1,064	739
	1,212	1,715

11. Tax

The explanation for the tax charge in the year is set out below

	2010 £000	Restated 2009 £000
Profit on ordinary activities before tax	1,049	2,454
Tax on profit on ordinary activities before tax at the UK standard rate of corporation tax of 28% (2009 28%)	294	687
Effect of non taxable income	(291)	(684)
	3	3

The Company has no deferred tax liability in 2010 (2009 £nil) From 1 April 2001 onwards the Company has been taxable under Section 82 of the Finance Act 2000. Deferred tax is not provided for on the basis that the Company will continue to be taxed on the same basis for the foreseeable future.

12. Profit attributable to the Company

As a consolidated statement of comprehensive income is included in these financial statements, the Company's individual income statement has not been included in accordance with Section 408 of the Companies Act 2006. The result for the financial year of the Company was a profit of £1,046,000 (2009 restated £2,451,000).

13. Equity dividends

	2010 £000	2009 £000
Dividends on equity shares - paid in the year	2,400	1,000

Since the reporting date of 31 March 2010, a dividend of £1,000,000 has been declared which will be paid during the financial year ended 31 March 2011.

Notes to the financial statements (continued)
for the year ended 31 March 2010

14. Property, plant and equipment

Group and Parent	Plant & Equipment £000	Fixtures & Fittings £000	Capitalised Decommissioning costs £000	Assets Under Construction £000	Total £000
Cost					
At 1 April 2008	152,362	664	50,826	82,537	286,389
Additions	771	9	5,840	34,928	41,548
Disposals	(14,784)	-	(1,980)	-	(16,764)
Reclassifications	46,168	-	-	(46,168)	-
At 31 March 2009	184,517	673	54,686	71,297	311,173
Additions	52	28	7,757	76,594	84,431
Disposals	(1,896)	(12)	(1,435)	-	(3,343)
Reclassifications	11,942	-	-	(11,942)	-
At 31 March 2010	194,615	689	61,008	135,949	392,261
Depreciation					
At 1 April 2008	132,177	37	10	-	132,224
Charge for the year	5,681	69	-	-	5,750
Disposals	(14,784)	-	-	-	(14,784)
At 31 March 2009	123,074	106	10	-	123,190
Charge for the year	5,967	68	-	-	6,035
Disposals	(1,896)	(12)	-	-	(1,908)
At 31 March 2010	127,145	162	10	-	127,317
Carrying amount					
At 31 March 2010	67,470	527	60,998	135,949	264,944
At 31 March 2009	61,443	567	54,676	71,297	187,983
At 1 April 2008	20,185	627	50,816	82,537	154,165

15. Investments in subsidiaries

	Parent £000
Cost and carrying amount at 1 April 2008, 31 March 2009 & 31 March 2010	62

The principal subsidiary as at 31 March 2010 Seabird kk, a wholly owned commercial services company incorporated in Japan. Prior to the end of the financial year ended 31 March 2010 a written resolution was passed by the directors of the Company for the dissolution of Seabird kk due to lack of corporate activity. This will be concluded during the financial year ended 31 March 2011.

Notes to the financial statements (continued)

for the year ended 31 March 2010

16. Financial instruments by category

The accounting classification of each category of financial instruments, and their carrying values, is set out below

			Restated	
	Note	2010 £000	2009 £000	2008 £000
Group financial assets – loans and receivables:				
Current trade and other receivables excluding prepayments and VAT (a)	17	7,555	10,037	9,762
Current asset investments	18	13,700	-	-
Cash and cash equivalents	19	16,867	17,810	43,431
		<u>38,122</u>	<u>27,847</u>	<u>53,193</u>
Parent financial assets – loans and receivables:				
Current trade and other receivables excluding prepayments and VAT (a)	17	7,555	10,037	9,762
Current asset investments	18	13,700	-	-
Cash and cash equivalents	19	16,795	17,738	43,379
		<u>38,050</u>	<u>27,775</u>	<u>53,141</u>
Group and Parent				
Financial liabilities - other financial liabilities:				
Current trade and other payables excluding other taxes and social security costs and capital advance payments from immediate parent undertaking (b)	20	47,246	31,869	29,897

(a) Prepayments and VAT are excluded as this analysis is required only for financial instruments

(b) Other taxes and social security costs and amounts due to in relation to capital advance payments from immediate parent undertaking are excluded as this analysis is required only for financial instruments

Generally, financial assets and financial liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Company in undertaking its activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3.

The fair value of financial instruments represents the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The directors consider that the carrying amount of loans and receivables and other financial liabilities approximates their fair value.

Notes to the financial statements (continued)

for the year ended 31 March 2010

17. Trade and other receivables

	2010	Group and Parent	
	£000	2009 £000	2008 £000
Current:			
Amounts owed by immediate parent undertaking	7,404	10,002	9,437
Amounts owed by ultimate parent undertaking	-	26	-
Accrued income	151	9	210
Other receivables	-	-	115
	<u>7,555</u>	<u>10,037</u>	<u>9,762</u>
Prepayments	259	-	91
VAT	32	61	209
	<u>7,846</u>	<u>10,098</u>	<u>10,062</u>

The accrued income as at 31 March 2010 was not overdue at the year end. The balance is expected to be recovered in full during the financial year ended 31 March 2011.

18. Current asset investments

	2010	2009	2008
	£000	£000	£000
Bank deposits	<u>13,700</u>	-	-

Current asset investments comprise bank deposits with an original maturity of greater than three months. Bank deposits are made for varying periods depending on the medium to long-term cash requirements of the Company and earn interest based on commercial rates offered by the bank at the time of deposit.

19. Cash and cash equivalents

	Group			Parent		
	2010	2009	2008	2010	2009	2008
	£000	£000	£000	£000	£000	£000
Cash at banks and on hand	867	610	17,931	795	538	17,879
Short-term deposits	16,000	17,200	25,500	16,000	17,200	25,500
Cash and cash equivalents	<u>16,867</u>	<u>17,810</u>	<u>43,431</u>	<u>16,795</u>	<u>17,738</u>	<u>43,379</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. Short-term bank deposits are made for varying periods depending on the immediate cash requirements of the Company and earn interest rates at the respective short-term deposit rates.

Notes to the financial statements (continued)

for the year ended 31 March 2010

20. Trade and other payables

	Group and Parent		
	2010	Restated 2009	2008
	£000	£000	£000
Current:			
Trade payables	12,281	285	7,881
Accruals	34,965	29,667	21,471
Amounts owed to immediate parent undertaking	-	1,917	545
	47,246	31,869	29,897
Other taxes and social security costs	125	145	111
Capital advance payments from immediate parent undertaking	10,544	10,286	10,984
	57,915	42,300	40,992
Non-current.			
Capital advance payments from immediate parent undertaking	172,630	102,054	101,028

Trade payables are non-interest bearing and are normally settled on 30 day terms. Accruals comprise amounts outstanding principally for trade and capital purchases where invoices have not yet been received from suppliers for services provided. The Group has procedures in place to ensure that balances are paid within pre-agreed credit terms.

There are no fixed repayment terms for the amounts owed to immediate parent undertaking. These are primarily capital advance payments made by the immediate parent undertaking. These are either repaid in the event that capital expenditure does not occur or recognised in the statement of income when capital is expended, in line with depreciation of such capital expenditure. There are no issues regarding the ultimate repayment of this balance and the balances are non-interest bearing.

The maturity profile of the Company's financial liabilities is as follows

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Total £000
31 March 2010					
Trade payables	-	12,281	-	-	12,281
Accruals	-	3,044	31,350	571	34,965
	-	15,325	31,350	571	47,246
31 March 2009					
Trade payables	-	285	-	-	285
Accruals	-	11,973	17,839	-	29,812
Amounts owed to immediate parent undertaking	1,917	-	-	-	1,917
	1,917	12,258	17,839	-	32,014

Notes to the financial statements (continued)

for the year ended 31 March 2010

21. Provisions

The provisions for flask decontamination and disposal are as follows

	Group and Parent £000
At 1 April 2008	50,863
Revalorisation	1,929
Increase in the year	3,913
Discharge of liabilities	(1,980)
At 31 March 2009	54,725
Revalorisation	3,242
Increase in the year	4,572
Discharge of liabilities	(1,435)
At 31 March 2010	61,104
At 31 March 2010	
Current	1,909
Non-current	59,195
	61,104

The flask decontamination and disposal provisions are reassessed each year. The amounts can be subject to change, depending on latest cost estimates and timing of disposal. All costs associated with this decontamination except £106,000 are contractually recoverable from customers. The costs will be incurred over the next 20 years.

22. Share capital

	2010 £000	2009 £000	2008 £000
Authorised:			
2,000,000 ordinary shares of £1 each	2,000	2,000	2,000
Allotted, called up and fully paid:			
2,000,000 ordinary shares of £1 each	2,000	2,000	2,000

Notes to the financial statements (continued)

for the year ended 31 March 2010

23. Retirement benefit schemes

The Company participates in two industry wide defined contribution schemes the Merchant Navy Officers' Pension Plan (MNOFF) and the Merchant Navy Ratings' Pension Plan (MNRPP). The Company also participates in two industry wide defined benefit pension schemes the Merchant Navy Officers' Pension Fund (MNOFF) and the Merchant Navy Ratings' Pension Fund (MNRPF).

Defined contribution schemes

The MNOFF is available to officers who are not eligible for the MNOFF but wish to participate in an industry scheme. The MNRPP was set up on closure of the MNRPF and is available to all ratings who wish to participate in an industry scheme.

The Company's contributions to the MNOFF and MNRPP for the year were £25,000 (2009 £22,000) and £38,000 (2009 £34,000). Contributions totalling £2,000 (2009 £2,000) were outstanding for the MNOFF and £3,000 (2009 £3,000).

Defined benefit schemes

The MNOFF Old section was closed in April 1978 and replaced by the New section which has subsequently been closed to new members from 1 November 1996. Benefits for the Old section were capped in April 1978 and those for existing employees of the New section continue to accrue with increasing years in service. Agreed contribution rates for this scheme are currently 11.9%. The MNRPF was closed from 31 May 2001. The liabilities of the scheme have been capped at the level of benefits accrued to employees at the closure date, subject to adjustment for future actuarial valuations. The schemes are funded by payments to trusts, which are independent of the participating employers.

The pension costs for the schemes are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method. The latest available actuarial valuation for the MNOFF at 31 March 2009 indicated that the new section was under funded by £740 million (previously £151 million). There is already a recovery plan in place for the deficit arising in prior years. In relation to the increased deficit the Trustees will advise the Company of its share, which will consist of additional payments from September 2010 to September 2022. The latest available actuarial valuation for the MNRPF at 31 March 2008 indicated that the scheme was under funded by £175 million (previously £94 million under funded). Contributions aimed at meeting the deficit by 31 March 2021 will be paid to the Fund by the Company based on a schedule advised by the Trustees.

The Company's contributions to the MNOFF for the year totalled £708,000 (2009 £715,000). The Company's annual contribution to fund its share of the deficit is expected to be £555,000 plus any additional contributions to be advised by the Trustees based on the latest actuarial valuation results.

The Company's contributions to the MNRPF for the year totalled £220,000 (2009 £220,000). In the financial year ended 31 March 2011 the deficit contribution is expected to be £306,000 with increasing payments each year in line with the schedule advised by the Trustees until recovery in March 2021.

Actuarial valuations for each of the schemes have been updated at 31 March 2010 by an independent professionally qualified actuary using assumptions that are consistent with the requirements of IAS 19 and the results of those calculations incorporated into the figures below. Investments have been valued for this purpose at fair value.

Notes to the financial statements (continued)

for the year ended 31 March 2010

23. Retirement benefit schemes (continued)

The figures have been based on the actuarial calculations which were prepared for the trustees to the schemes and then adjusted to allow for the proportions of the assets and liabilities which the Company has been informed are attributable to it and to allow for the differences between the actuarial assumptions used for funding purposes and those which are compliant with IAS 19. The nature of this process means that the calculations and the resulting deficits are estimates only. However, in the opinion of the directors, the deficits recognised are the best estimates based on information available at the date of approving these Accounts. The principal actuarial assumptions used at the relevant balance sheet date are

	2010		2009	
	MNOFF	MNRPF	MNOFF	MNRPF
Discount rate	5.7%	5.7%	6.7%	6.8%
Rate of salary increase	4.1%	4.1%	4.9%	4.8%
Rate of price inflation	3.6%	3.6%	3.4%	3.3%
Rate of increase of pensions in payment	3.6%	3.6%	3.4%	3.3%
Rate of increase of pensions in deferment	3.6%	3.6%	3.4%	3.3%
Life expectancy for a male pensioner aged 65 (in years)	20.8	20.8	22.5	22.5
Life expectancy for a male non pensioner currently aged 45 from age 65 (in years)	22.1	22.1	24.3	24.3

In line with existing contractual arrangements, all such costs are recoverable from the immediate parent undertaking, hence an equal recoverable amount is recognised in the financial statements to offset the pension deficit.

Amounts recognised in the financial statements in respect of the defined benefit schemes are as follows

2010	MNOFF £000	MNRPF £000	Total £000
Analysis of amount charged to operating costs:			
Current service cost	220	-	220
Analysis of amounts charged to finance costs:			
Expected return on pension scheme assets	723	447	1,170
Interest on pension scheme liabilities	(1,426)	(808)	(2,234)
Net cost	(703)	(361)	(1,064)
Analysis of amounts recognised in other comprehensive income			
Actual return less expected return on scheme assets	3,524	1,957	5,481
Experience gains arising on the scheme liabilities	2,350	-	2,350
Changes in assumptions underlying the present value of the scheme liabilities	(2,308)	(1,417)	(3,725)
Actuarial gain recognised in other comprehensive income	3,566	540	4,106
Amounts recognised in the statement of financial position:			
Present value of defined benefit obligations	(22,314)	(13,852)	(36,166)
Fair value of scheme assets	18,603	11,311	29,914
Deficit in scheme recognised in non-current liabilities	(3,711)	(2,541)	(6,252)
Amount recoverable from immediate parent undertaking recognised in current assets	3,711	2,541	6,252

Notes to the financial statements (continued)

for the year ended 31 March 2010

23. Retirement benefit schemes (continued)

2010	MNOPF £000	MNRPF £000	Total £000
Movements in the present value of defined benefit obligations:			
At 1 April 2009	(21,641)	(12,140)	(33,781)
Current service cost	(220)	-	(220)
Interest cost	(1,426)	(808)	(2,234)
Employee contributions	(94)	-	(94)
Actuarial gains/(losses)	42	(1,417)	(1,375)
Benefits (refunded)/paid	1,025	513	1,538
At 31 March 2010	(22,314)	(13,852)	(36,166)
Movements in the fair value of scheme assets:			
At 1 April 2009	14,579	9,200	23,779
Employer contributions	708	220	928
Employee contributions	94	-	94
Actuarial gains	3,524	1,957	5,481
Benefits refunded/(paid)	(1,025)	(513)	(1,538)
Expected return on plan assets	723	447	1,170
At 31 March 2010	18,603	11,311	29,914

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income since adoption of IFRS is £2,120,000 net gain (2009 £1,446,000 net loss) for the MNOPF scheme and £1,509,000 net gain (2009 £969,000) for the MNRPF scheme

2009	MNOPF £000	MNRPF £000	Total £000
Analysis of amount charged to operating costs:			
Current service cost	284	-	284
Analysis of amounts charged to finance costs:			
Expected return on pension scheme assets	990	524	1,514
Interest on pension scheme liabilities	(1,397)	(856)	(2,253)
Net cost	(407)	(332)	(739)
Analysis of amounts recognised in other comprehensive income:			
Actual return less expected return on scheme assets	(3,808)	(1,542)	(5,350)
Experience gains arising on the scheme liabilities	-	687	687
Changes in assumptions underlying the present value of the scheme liabilities	2,362	1,824	4,186
Actuarial (loss)/gain recognised in other comprehensive income	(1,446)	969	(477)
Amounts recognised in the statement of financial position:			
Present value of defined benefit obligations	(21,641)	(12,140)	(33,781)
Fair value of scheme assets	14,579	9,200	23,779
Deficit in scheme recognised in non-current liabilities	(7,062)	(2,940)	(10,002)
Amount recoverable from immediate parent undertaking recognised in current assets	7,062	2,940	10,002

Notes to the financial statements (continued)
for the year ended 31 March 2010

23. Retirement benefit schemes (continued)

2009	MNOPF £000	MNRPF £000	Total £000
Movements in the present value of defined benefit obligations.			
At 1 April 2008	(23,182)	(14,290)	(37,472)
Current service cost	(284)	-	(284)
Interest cost	(1,397)	(856)	(2,253)
Employee contributions	(116)	-	(116)
Actuarial gains	2,362	2,511	4,873
Benefits (refunded)/paid	976	495	1,471
At 31 March 2009	(21,641)	(12,140)	(33,781)
Movements in the fair value of scheme assets:			
At 1 April 2008	17,542	10,493	28,035
Employer contributions	715	220	935
Employee contributions	116	-	116
Actuarial losses	(3,808)	(1,542)	(5,350)
Benefits refunded/(paid)	(976)	(495)	(1,471)
Expected return on plan assets	990	524	1,514
At 31 March 2009	14,579	9,200	23,779

2008	MNOPF £000	MNRPF £000	Total £000
Amounts recognised in the statement of financial position:			
Present value of defined benefit obligations	(23,182)	(14,290)	(37,472)
Fair value of scheme assets	17,542	10,493	28,035
Deficit in scheme recognised in non-current liabilities	(5,640)	(3,797)	(9,437)
Amount recoverable from immediate parent undertaking recognised in current assets	5,640	3,797	9,437

Notes to the financial statements (continued)

for the year ended 31 March 2010

23. Retirement benefit schemes (continued)

The fair value of the Company's share of the assets and liabilities for each of the schemes together with the expected rates of return at the balance sheet date are as follows

	Expected return			Fair value of assets		
	2010 %	2009 %	2008 %	2010 £000	2009 £000	2008 £000
MNOPF scheme						
Equities	8.50	8.00	7.50	9,586	7,208	9,572
Fixed interest gilts	4.50	4.00	4.60	5,208	4,939	4,780
Bonds	5.20	6.00	6.10	2,675	1,426	1,506
Property	7.50	7.00	6.50	911	992	1,368
Cash	0.50	0.50	5.25	223	14	316
				18,603	14,579	17,542
MNRPF scheme						
Equities	8.50	8.00	7.50	3,615	1,859	2,424
Fixed interest gilts	4.50	4.00	4.60	2,640	2,015	2,539
Bonds	5.20	6.00	6.10	3,960	4,627	4,460
Property	7.50	7.00	6.50	590	515	703
Cash	0.50	0.50	5.25	506	184	367
				11,311	9,200	10,493

The overall expected rate of return on assets assumption have been derived by considering the expected long-term rate of return on each major asset category for each scheme as at 31 March 2010 and weighting these rates of return broadly in line with the underlying asset allocation

Notes to the financial statements (continued)

for the year ended 31 March 2010

23. Retirement benefit schemes (continued)

History of experience gains and losses

The history of experience gains and losses, excluding the impact of the amount recoverable from the immediate parent undertaking are shown below

MNOPF	2010	2009	2008	2007	2006
Difference between expected and actual return on scheme assets					
amount-gain/(loss) (£000)	3,524	(3,808)	(3,044)	3,436	2,099
percentage of scheme assets	19%	26%	17%	18%	14%
Experience gains and losses arising on scheme liabilities					
amount-gain/(loss) (£000)	2,350	-	3,284	(4,105)	-
percentage of scheme liabilities	11%	-	14%	16%	-
Total actuarial gain/(loss)					
amount (£000)	3,566	(1,446)	173	(1,572)	728
percentage of scheme liabilities	16%	7%	1%	6%	4%

The estimated amounts of contributions expected to be paid to the MNOPF scheme during the financial year ended 31 March 2011 is £708,000

MNRPF	2010	2009	2008	2007	2006
Difference between expected and actual return on scheme assets					
amount-gain/(loss) (£000)	1,957	(1,542)	(952)	(318)	972
percentage of scheme assets	17%	17%	9%	3%	9%
Experience gains and losses arising on scheme liabilities					
amount-gain/(loss) (£000)	-	687	-	-	-
percentage of scheme liabilities	-	6%	-	-	-
Total actuarial gain/(loss)					
amount (£000)	540	969	(1,257)	(883)	39
percentage of scheme liabilities	4%	8%	9%	6%	0%

The estimated amounts of contributions expected to be paid to the MNRPF scheme during the financial year ended 31 March 2011 is £305,000

Notes to the financial statements (continued)

for the year ended 31 March 2010

24. Financial risk management

Capital risk

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to shareholders through the maximisation of profit. The Company's overall strategy remains unchanged from the previous year. The capital structure of the Company consists of equity attributable to equity holders of the immediate parent and minority interests, comprising issued capital and reserves.

Gearing ratio

The Company does not have a target gearing ratio (the proportion of net debt to equity). The Company and its immediate parent undertaking review the capital structure of the Company on a regular basis.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is primarily exposed to foreign currency risk and interest rate risk although the directors do not consider these risk exposures to be material.

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Although the Company has significant foreign currency denominated monetary liabilities, these are equally offset by balances recoverable from the immediate parent undertaking which fluctuate in line with the value of the liabilities – thus the Company's net profit will not be impacted by foreign currency fluctuations.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to balances owed to the immediate parent undertaking in relation to capital advance payments (note 20). Interest is paid based on the London Interbank Offer Rate (LIBOR) in relation to capital advances not yet expended. The Company largely offsets this risk by investing surplus funds on short-term deposit thus any changes in interest rates generally have minimal effect on the overall profit of the Company.

Liquidity risk

Liquidity risk (also referred to as funding risk) is the risk that an entity will encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments. The Company is primarily financed through its trading with the immediate parent undertaking and receives funds in advance for capital payments. As a result liquidity risk is considered to be low. The Company has surplus funds which it invests to earn interest revenue. The investment policy of the Company is to hold funds in bank deposits which are invested on a short-term basis in the money market. Liquidity is managed by preparing short and medium-term cash flow forecasts against which the maturity of bank deposits is timed.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As the Company's key customer is the immediate parent undertaking, the directors consider the risk of contractual default to be remote and accordingly the Company's exposure to credit risk is low. There are no significant concentrations of credit risk within the Company. The maximum credit risk exposure relating to financial assets is represented by the carrying value of the trade receivables at the reporting date. The Company has established procedures to minimise the risk of default by customers. Historically, these procedures have proved effective in minimising the level of impaired and past due debt.

Notes to the financial statements (continued)

for the year ended 31 March 2010

25. Capital commitments

At 31 March 2010 there were capital commitments to construct assets totalling £40,119,040 (2009 £114,943,000)

26. Related parties

In the course of its normal business the Company enters into transactions with Government owned banks, Government Departments and other central Government bodies on an arms' length basis

Transactions between the Company and the NDA and other NDA group companies were as follows

2010	Sales	Purchases	Interest payable	Due from related party Pension liability/ other	Trading	Capital advance payments
	£000	£000	£000	£000	£000	£000
International Nuclear Services Ltd	22,745	346	144	7,404	-	183,174
Nuclear Decommissioning Authority	-	-	-	-	-	-

2009 Restated	Sales	Purchases	Interest payable	Due from related party Pension liability/ other	Trading	Capital advance payments
	£000	£000	£000	£000	£000	£000
International Nuclear Services Ltd	19,939	592	972	10,002	1,917	112,340
Nuclear Decommissioning Authority	-	307	-	26	-	-

Key management compensation

Key management received no compensation from the Company during the year. All such compensation was borne by the parent undertaking.

Notes to the financial statements (continued)

for the year ended 31 March 2010

27. Explanation of transition to IFRS

This is the first year that the Company has prepared its financial statements in accordance with IFRS. In previous years the Company prepared its financial statements in accordance with UK generally accepted accounting practices (UK GAAP).

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods beginning on or after 1 April 2008 (the Company's date of transition to IFRS) as described in the accounting policies.

Certain balances previously reported under UK GAAP have been reclassified to comply with the format of the Company's financial statements as presented under IFRS. None of these reclassifications have any effect on the Company's previously reported net assets, equity or cash flows.

In addition the Company has recognised a liability in relation to accrued leave for officers and crew in respect of ongoing voyages at the end of the financial year. This has impacted the statement of financial position as at 1 April 2009 and the statement of comprehensive income for the year ended 31 March 2009 as follows:

Consolidated Statement of Comprehensive Income

	2009 £000
Revenue increase	103
Operating costs increase	(98)
Operating profit increase	5
Total comprehensive income for the year increase	5

Consolidated & Company Statement of Financial Position

	2009 £000
Current trade and other payables decrease	5
Net assets increase	5
Retained earnings increase	5

Other than as explained above, the transition from UK GAAP to IFRS has not had a material impact on the statement of financial position as at 1 April 2008 or the statement of comprehensive income for the year ended 31 March 2009.