

# **PACIFIC NUCLEAR TRANSPORT LIMITED**

Registered No. 1228109

## **Annual Report and Financial Statements for the year ended 31 March 2014**

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COMPANIES HOUSE

**DIRECTORS**

J S Clarke (Chairman)  
A A Brown  
M C Jervis  
A Greaves  
S Sumiya (Resigned 8 April 2013)  
B Fichfeux  
D Landon  
H Hokari (Appointed 8 April 2013)  
A Uetake

**SECRETARY**

Helen Elizabeth Hodgson

**AUDITORS**

Ernst & Young LLP  
100 Barbirolli Square  
Manchester  
M2 3EY

**BANKERS**

RBS plc  
1 Spinningfield Square  
Manchester  
M3 3AP

**REGISTERED OFFICE**

Herdus House  
Westlakes Science & Technology Park  
Moor Row  
Cumbria  
CA24 3HU

## STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 March 2014.

### REVIEW OF THE BUSINESS

The profit for the year, after taxation, amounted to £1,536,000 (2013: profit £1,551,000). The Company's principal activities during the year continued to be the transport of nuclear materials between Europe and Japan. The Company's revenue for the financial year ended 31 March 2014 was derived from the provision of transport services for MOX fuel and high level waste (HLW) between Europe and Japan, accounting for 92% of total turnover (2013: 93%). Revenue from flask hire, decommissioning and miscellaneous transport services represent the remaining 8% (2013: 7%).

The Pacific Heron and Pacific Egret successfully delivered a shipment of MOX during the financial year.

#### Key performance indicators

	<i>Actual (£m)</i>	<i>Target (£m)</i>
<i>Turnover</i>	<i>£30.0</i>	<i>£38.4</i>
<i>Profit before dividends</i>	<i>£1.5</i>	<i>£1.8</i>
<i>Capital expenditure (excl capitalised decommissioning costs)</i>	<i>£3.1</i>	<i>£5.2</i>

Turnover is derived largely from the immediate parent undertaking, International Nuclear Services Limited, as costs are charged by the Company at cost plus a management fee. The £8.4m shortfall in turnover compared to the target set is driven by cost decreases, some of which are cost savings, some as a result of delayed activities in line with customer requirements and some driven by accounting estimate changes, particularly in relation to depreciation of assets. Capital expenditure was lower than the original target set due to some reduction in customer capital requirements and deferral of capital programmes until next financial year in line with business requirements.

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.

## **STRATEGIC REPORT (continued)**

### **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.

By order of the Board,



A Greaves  
Director

15 August 2014

## **DIRECTORS' REPORT**

The Directors present their report for the year ended 31 March 2014.

### **DIRECTORS**

The Directors who served during the year were as follows:

J S Clarke (Chairman)  
A A Brown  
M C Jervis  
A Greaves  
S Sumiya (Resigned 8 April 2013)  
B Fichfeux  
D Landon  
H Hokari (Appointed 8 April 2013)  
A Uetake

### **DIVIDENDS**

A dividend of £1,500,000 was proposed and paid in the financial year (2013: £1,600,000). As stated in note 13 to the Accounts, since the financial year end date of 31 March 2014, a dividend of £1,500,000 has been declared which will be paid during the financial year ended 31 March 2015.

### **FUTURE DEVELOPMENTS**

The Japanese nuclear industry continues to face a number of challenges following the major earthquake and tsunami in Japan in 2011. The Company is planning to continue deliveries of MOX fuel and HLW to customers in Japan in line with agreed programmes discussed with customers. All deliveries will continue to require prior regulatory and government approvals.

### **CHARITABLE AND POLITICAL DONATIONS**

During the year the Company made charitable donations of £15,855 (2013: £2,200), principally to local charities serving the communities in which the Company operates. There were no political donations made in the year (2013: £nil).

### **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 2014 was nil days (2013: nil days).

## **DIRECTORS' REPORT (continued)**

### **FINANCIAL INSTRUMENTS**

Details of financial instruments are provided in the strategic report on page 4.

### **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.

### **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,



A Greaves  
Director

15 August 2014

## **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 judgments 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 annual report and financial statements (the "financial statements") of Pacific Nuclear Transport Limited for the year ended 31 March 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 25. 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 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 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

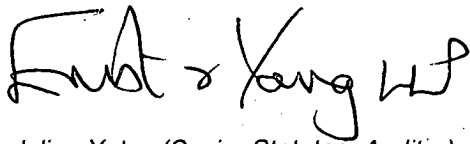


**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PACIFIC NUCLEAR TRANSPORT LIMITED**  
**(continued)**

**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, 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.



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

19 August 2014

## Statement of Comprehensive Income

for the year ended 31 March 2014

	Notes	2014 £000	2013 £000
Revenue	5	29,988	26,220
Exceptional items	6	87	-
Operating costs	7	(28,452)	(24,595)
Gains on disposal of property, plant & equipment		-	191
<b>Operating profit</b>		<b>1,623</b>	<b>1,816</b>
Finance revenue	10	99	203
Finance costs	11	(183)	(465)
<b>Profit before tax</b>		<b>1,539</b>	<b>1,554</b>
Tax	12	(3)	(3)
<b>Profit for the financial year</b>		<b>1,536</b>	<b>1,551</b>
<b>Other comprehensive income:</b>			
Actuarial losses/(gains) in defined benefit pension schemes		812	(3,570)
Movement in amount recoverable from immediate parent undertaking relating to defined benefit pension scheme deficits		(812)	3,570
<b>Total comprehensive income for the year</b>		<b>1,536</b>	<b>1,551</b>

All amounts derive from continuing operations.

## Statement of Financial Position

as at 31 March 2014

Registered No. 1228109

	Notes	2014 £000	2013 £000
<b>Non-current assets</b>			
Property, plant and equipment	14	280,037	291,165
<b>Current assets</b>			
Trade and other receivables	16	578	7,732
Current asset investments	17	14,500	7,500
Cash and cash equivalents	18	8,413	11,367
		<u>23,491</u>	<u>26,599</u>
<b>Total assets</b>		<b>303,528</b>	<b>317,764</b>
<b>Current liabilities</b>			
Trade and other payables	19	(15,792)	(21,466)
Provisions	20	(2,774)	(2,184)
Current tax liabilities		(6)	(3)
		<u>(18,572)</u>	<u>(23,653)</u>
<b>Non-current assets plus net current assets</b>		<b>284,956</b>	<b>294,111</b>
<b>Non-current liabilities</b>			
Trade and other payables	19	(190,613)	(196,459)
Provisions	20	(84,696)	(87,547)
Defined benefit pension scheme deficits	22	(3,506)	(4,000)
		<u>(278,815)</u>	<u>(288,006)</u>
<b>Net Assets</b>		<b>6,141</b>	<b>6,105</b>
<b>Equity</b>			
Share capital	21	2,000	2,000
Retained earnings		4,141	4,105
<b>Total equity</b>		<b>6,141</b>	<b>6,105</b>

The financial statements were approved by the Board of Directors and authorised for issue on 15 August 2014 and were signed on its behalf by:



A Greaves  
Director

## Statement of Cash Flows

for the year ended 31 March 2014

	2014	2013
<b>Operating activities</b>		
Profit for the year	1,536	1,551
Adjustments to reconcile profit for the year to net cash flow from operating activities:		
Tax	3	3
Net finance income	(53)	(110)
Depreciation of property, plant and equipment	12,003	8,103
Impairment of property, plant and equipment	-	4,234
Decrease/(increase) in trade and other receivables	6,650	(1,961)
Decrease in advance payments	(8,049)	(8,260)
Increase in trade and other payables	8	3,377
<b>Cash generated from operations</b>	<b>12,098</b>	<b>6,937</b>
Income taxes paid	(3)	(3)
<b>Net cash inflow from operating activities</b>	<b>12,095</b>	<b>6,934</b>
<b>Cash flows from investing activities</b>		
Interest received	68	229
Purchases of property, plant and equipment	(6,617)	(9,318)
<b>Net cash outflow from investing activities</b>	<b>(6,549)</b>	<b>(9,089)</b>
<b>Cash flow from financing activities</b>		
Finance costs	-	(520)
Dividends paid	(1,500)	(1,600)
<b>Net cash outflow from financing activities</b>	<b>(1,500)</b>	<b>(2,120)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,046</b>	<b>(4,275)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>11,367</b>	<b>3,142</b>
Transfers (to)/from current asset investments	(7,000)	12,500
<b>Cash and cash equivalents at end of year</b>	<b>8,413</b>	<b>11,367</b>

## Statement of Changes in Equity

For the year ended 31 March 2014

	Share capital £000	Retained earnings £000	Total equity £000
<b>Balance at 1 April 2012</b>	2,000	4,154	6,154
Dividend paid	-	(1,600)	(1,600)
Total comprehensive income for the year	-	1,551	1,551
<b>Balance at 31 March 2013</b>	2,000	4,105	6,105
Dividend paid	-	(1,500)	(1,500)
Total comprehensive income for the year	-	1,536	1,536
<b>Balance at 31 March 2014</b>	<u>2,000</u>	<u>4,141</u>	<u>6,141</u>

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 2014 equated to 75p (2013: 80p) per share.

## **Notes to the financial statements**

**for the year ended 31 March 2014**

### **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 2014 were authorised for issue by the Board of Directors on 15 August 2014 and the Statement of Financial Position was signed on the Board's behalf by A Greaves.

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 2014.

### **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 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

There have been no accounting policy changes in the financial year ended 31 March 2014.

## **Notes to the financial statements (continued)**

**for the year ended 31 March 2014**

### **3. Significant accounting policies (continued)**

#### **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.

- 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

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Company's financial statements in the period of initial application.

#### **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.

#### **Exceptional items**

Exceptional items are those which are separately identified by virtue of their size or incidence to allow a full understanding of the underlying performance of the company.

## **Notes to the financial statements (continued)**

**for the year ended 31 March 2014**

### **3. Significant accounting policies (continued)**

#### **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.

#### **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.

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.



## **Notes to the financial statements (continued)**

**for the year ended 31 March 2014**

### **3. Significant accounting policies (continued)**

#### **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 2014**

### **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 and ships (see below), to their residual values over their estimated useful lives, using the straight-line method on the following bases:

Fixtures and fittings	3 to 15 years
Plant and equipment (excluding ships)	5 to 15 years

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

In relation to ships owned by the Company, depreciation is charged so as to write off the cost of the ships to their residual values over their estimated useful lives, using the units of production method based on voyages completed by the ships which are estimated to be completed within 15 years.

#### **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.

## **Notes to the financial statements (continued)**

**for the year ended 31 March 2014**

### **3. Significant accounting policies (continued)**

#### **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).

#### **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.

## **Notes to the financial statements (continued)**

**for the year ended 31 March 2014**

### **3. Significant accounting policies (continued)**

#### **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.

#### **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 2014**

### **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 £280,037,000 (2013: £291,165,000).

## Notes to the financial statements (continued)

for the year ended 31 March 2014

### 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 £87,470,000 (2013: £89,731,000).

#### 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 £3,506,000 (2013: £4,000,000). 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. The Company is contractually entitled to revenue from the immediate parent undertaking on the basis of costs incurred, on an accruals basis. 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. Revenue is invoiced during the month the service is provided at cost +5% mark-up. Some miscellaneous income is also received from third parties in relation to flask hire and contract administration. This is based on a fixed annual charge and it is invoiced at the start of the financial year based on agreement for the Company to make assets available to the customer.

### 6. Exceptional items

The exception item relates to compensation received from the supplier who provided the sewage treatment plants for the ships. There have been issues with the sewage treatment plant since implementation, hence these are being replaced.

### 7. Operating costs

Operating costs include:

	2014 £000	2013 £000
Depreciation of property, plant and equipment	12,003	8,103
Impairment of property, plant and equipment	-	4,234
Auditors' remuneration in respect of the statutory audit of the Company	18	18
Staff costs excluding Directors' emoluments (see note 8)	5,499	5,559
Directors' emoluments	20	20

## Notes to the financial statements (continued)

for the year ended 31 March 2014

### 8. Staff costs

The average monthly number of employees was as follows:

	2014 No.	2013 No.
Officers and crew	116	119

Their aggregate remuneration comprised:

	2014 £000	2013 £000
Wages and salaries	4,515	4,735
Social security costs	540	450
Pension costs (see note 22)	444	374
	5,499	5,559

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

### 9. Directors' emoluments

	2014 £000	2013 £000
Emoluments	20	20

No pension contributions were made on behalf of any Directors. As noted in Note 8, all executive functions are undertaken by employees of the immediate parent undertaking, hence no Directors are employed by the Company. Directors' emoluments reflect the fees paid in relation to the services by the Directors to the Company.

### 10. Finance revenue

	2014 £000	2013 £000
Interest income on bank deposits	99	203

## Notes to the financial statements (continued)

for the year ended 31 March 2014

### 11. Finance costs

	2014 £000	2013 £000
Revalorisation of nuclear provisions (see note 20)	175	3,499
Less: amounts capitalised as recoverable from customers	(174)	(3,493)
	1	6
Interest payable to immediate parent undertaking	45	87
Bank loans and overdrafts	-	-
Net finance cost on defined benefit pension schemes (see note 22)	137	372
	<u>183</u>	<u>465</u>

### 12. Tax

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

	2014 £000	2013 £000
Profit on ordinary activities before tax	1,539	1,554
Tax on profit on ordinary activities before tax at the UK standard rate of corporation tax of 23% (2013: 24%)	354	373
Effect of non-taxable income	(351)	(370)
	<u>3</u>	<u>3</u>

The Company has no deferred tax liability in 2014 (2013: £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.

### 13. Equity dividends

	2014 £000	2013 £000
Dividends on equity shares - paid in the year	<u>1,500</u>	<u>1,600</u>

Since the reporting date of 31 March 2014, a dividend of £1,500,000 has been declared which will be paid during the financial year ended 31 March 2015.



## Notes to the financial statements (continued)

for the year ended 31 March 2014

### 14. Property, plant and equipment

	Plant & Equipment £000	Fixtures & Fittings £000	Capitalised Decommissioning costs £000	Assets Under Construction £000	Total £000
<b>Cost</b>					
At 1 April 2012	281,515	1,126	66,332	53,600	402,573
Additions	-	-	23,283	1,489	24,772
Disposals	(1,212)	-	-	-	(1,212)
Reclassifications	5,506	70	-	(5,576)	-
At 31 March 2013	285,809	1,196	89,615	49,513	426,133
Additions	-	-	-	3,138	3,138
Disposals	-	-	(2,263)	-	(2,263)
Reclassifications	92	17	-	(109)	-
<b>At 31 March 2014</b>	<b>285,901</b>	<b>1,213</b>	<b>87,352</b>	<b>52,542</b>	<b>427,008</b>
<b>Depreciation</b>					
At 1 April 2012	115,751	289	10	7,793	123,843
Charge for the year	7,979	124	-	-	8,103
Impairment	1,839	-	-	2,395	4,234
Disposals	(1,212)	-	-	-	(1,212)
At 31 March 2013	124,357	413	10	10,188	134,968
Charge for the year	11,875	128	-	-	12,003
<b>At 31 March 2014</b>	<b>136,232</b>	<b>541</b>	<b>10</b>	<b>10,188</b>	<b>146,971</b>
<b>Carrying amount</b>					
<b>At 31 March 2014</b>	<b>149,669</b>	<b>672</b>	<b>87,342</b>	<b>42,354</b>	<b>280,037</b>
At 31 March 2013	161,452	783	89,605	39,325	291,165
At 1 April 2012	165,764	837	66,322	45,807	278,730

## Notes to the financial statements (continued)

for the year ended 31 March 2014

### 15. Financial instruments by category

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

	Note	2014 £000	2013 £000
<b>Financial assets – loans and receivables:</b>			
Current trade and other receivables excluding prepayments and VAT (a)	16	544	7,626
Current asset investments	17	14,500	7,500
Cash and cash equivalents	18	8,413	11,367
		<u>23,457</u>	<u>26,493</u>
<b>Financial liabilities - other financial liabilities:</b>			
Current trade and other payables excluding other taxes and social security costs and capital advance payments from immediate parent undertaking	19	<u>4,754</u>	<u>8,202</u>

(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.

Current asset investments and cash and cash equivalents are the only financial assets which attract interest – see note 17. Trade and other payables are all nil interest

## Notes to the financial statements (continued)

for the year ended 31 March 2014

### 16. Trade and other receivables

	2014 £000	2013 £000
<b>Current:</b>		
Amounts owed by immediate parent undertaking	367	7,321
Amounts owed by ultimate parent undertaking	14	-
Accrued income	163	105
Other receivables	-	200
	<u>544</u>	<u>7,626</u>
Prepayments	34	79
VAT	-	27
	<u>578</u>	<u>7,732</u>

The accrued income balance as at 31 March 2014 was not overdue at the year end. All other balances are expected to be recovered in full during the financial year ended 31 March 2015.

### 17. Current asset investments

	2014 £000	2013 £000
Bank deposits	<u>14,500</u>	<u>7,500</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.

### 18. Cash and cash equivalents

	2014 £000	2013 £000
Cash at banks and on hand	413	165
Short-term deposits	<u>8,000</u>	<u>11,202</u>
Cash and cash equivalents	<u>8,413</u>	<u>11,367</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 2014

### 19. Trade and other payables

	2014 £000	2013 £000
<b>Current:</b>		
Trade payables	629	-
Accruals and deferred income	4,125	8,193
Amounts owed to ultimate parent undertaking	-	9
	<u>4,754</u>	<u>8,202</u>
Other taxes and social security costs	148	171
Capital advance payments from immediate parent undertaking	10,890	13,093
	<u>15,792</u>	<u>21,466</u>
<b>Non-current:</b>		
Capital advance payments from immediate parent undertaking	190,613	196,459

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 Company has procedures in place to ensure that balances are paid within pre-agreed credit terms.

There are no fixed repayment terms for the capital advance payments owed to 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
<b>31 March 2014</b>					
Trade payables	-	629	-	-	629
Accruals and deferred income	-	3,126	330	669	4,125
	-	<u>3,755</u>	<u>330</u>	<u>669</u>	<u>4,754</u>
<b>31 March 2013</b>					
Accruals and deferred income	-	3,715	2,233	2,245	8,193
Amounts owed to ultimate parent undertaking	9	-	-	-	9
	<u>9</u>	<u>3,715</u>	<u>2,233</u>	<u>2,245</u>	<u>8,202</u>

## Notes to the financial statements (continued)

for the year ended 31 March 2014

### 20. Provisions

The provisions for flask decontamination and disposal are as follows:

	£000
At 1 April 2013	89,731
Revalorisation	175
Decrease in the year	(692)
Discharge of liabilities	(1,744)
<b>At 31 March 2014</b>	<b>87,470</b>
<b>At 31 March 2014</b>	
Current	2,774
Non-current	84,696
	<b>87,470</b>

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 £128,000 (2013: £120,000) are contractually recoverable from customers. The costs will be incurred over the next 20 years.

### 21. Share capital

	2014 £000	2013 £000
<b>Authorised:</b>		
2,000,000 ordinary shares of £1 each	2,000	2,000
<b>Allotted, called up and fully paid:</b>		
2,000,000 ordinary shares of £1 each	2,000	2,000

## **Notes to the financial statements (continued)**

**for the year ended 31 March 2014**

### **22. 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' Group Pension Plan (MNRGPP). 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 (Merchant Navy Ratings' Pension Plan) was set up on closure of the MNRPF in May 2001 and the MNRGPP replaced the MNRPP in September 2010. This scheme is available to all ratings who wish to participate in an industry scheme.

The Company's contributions to the MNOFF and MNRGPP for the year were £45,000 (2013: £43,000) and £29,000 (2013: £33,000) respectively. Contributions totalling £4,000 (2013: £4,000) were outstanding for the MNOFF and £3,000 (2013: £3,000) for the MNRGPP.

#### **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 20.0% (previously 15.5%).

The MNRPF is a non-sectionalised multi-employer scheme, thus since the closure contributions continue to be collected on a monthly basis under section 148. 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 2012 indicated that the new section was under funded by £492 million (previously £740 million). There is a recovery plan in place for the deficit with the Company expected to make contributions in relation to its share of the deficit relation until the financial year ended 30 September 2025.

The latest available actuarial valuation for the MNRPF at 31 March 2011 indicated that the scheme was under funded by £212 million (previously £175 million underfunded). 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 £1,488,000 (2013: £1,116,000). In the financial year ended 31 March 2015 the deficit contribution is expected to be £1,066,000 (2013: £946,000).

The Company's contributions to the MNRPF for the year totalled £322,000 (2013: £306,000). In the financial year ended 31 March 2015 the deficit contribution is expected to be £339,000 (2013: £322,000) 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 2014 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 2014

### 22. 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 financial year end are:

	MNOF & MNRPF	
	2014	2013
Discount rate	4.40%	4.25%
Rate of salary increase	3.35%	3.40%
Rate of price inflation	3.35%	3.40%
Rate of increase of pensions in payment	3.35%	3.40%
Rate of increase of pensions in deferment	3.35%	3.40%
Life expectancy for a male pensioner aged 65 (in years)	22.0	22.2
Life expectancy for a male non pensioner currently aged 45 from age 65 (in years)	23.4	23.5

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:

2014	MNOF £000	MNRPF £000	Total £000
<b>Analysis of amount charged to operating costs:</b>			
Current service cost	302	68	370
<b>Analysis of amounts charged to finance costs:</b>			
Expected return on pension scheme assets	1,169	581	1,750
Interest on pension scheme liabilities	(1,232)	(655)	(1,887)
Net cost	(63)	(74)	(137)
<b>Analysis of amounts recognised in other comprehensive income:</b>			
Actual return less expected return on scheme assets	2,585	(1,031)	1,554
Experience losses arising on the scheme liabilities	(3,432)	-	(3,432)
Changes in assumptions underlying the present value of the scheme liabilities	583	483	1,066
Actuarial loss recognised in other comprehensive income	(264)	(548)	(812)
<b>Amounts recognised in the statement of financial position:</b>			
Present value of defined benefit obligations	(32,852)	(15,281)	(48,133)
Fair value of scheme assets	31,622	13,005	44,627
Deficit in scheme recognised in non-current liabilities	(1,230)	(2,276)	(3,506)
Amount recoverable from immediate parent undertaking recognised in current assets	1,230	2,276	3,506

## Notes to the financial statements (continued)

for the year ended 31 March 2014

### 22. Retirement benefit schemes (continued)

2014	MNOPF £000	MNRPF £000	Total £000
<b>Movements in the present value of defined benefit obligations:</b>			
At 1 April 2013	(29,216)	(15,724)	<b>(44,940)</b>
Current service cost	(302)	(68)	<b>(370)</b>
Interest cost	(1,232)	(655)	<b>(1,887)</b>
Employee contributions	(107)	-	<b>(107)</b>
Actuarial (losses)/gains	(2,849)	483	<b>(2,366)</b>
Benefits paid	854	683	<b>1,537</b>
At 31 March 2014	<b>(32,852)</b>	<b>(15,281)</b>	<b>(48,133)</b>

#### Movements in the fair value of scheme assets:

At 1 April 2013	27,125	13,815	<b>40,940</b>
Employer contributions	1,490	323	<b>1,813</b>
Employee contributions	107	-	<b>107</b>
Actuarial losses/(gains)	2,585	(1,031)	<b>1,554</b>
Benefits paid	(854)	(683)	<b>(1,537)</b>
Expected return on plan assets	1,169	581	<b>1,750</b>
At 31 March 2014	<b>31,622</b>	<b>13,005</b>	<b>44,627</b>

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income since adoption of IFRS is £1,226,000 net gain (2013: £1,490,000 net gain) for the MNOPF scheme and £1,408,000 net gain (2013: £1,956,000 net gain) for the MNRPF scheme.

2013	MNOPF £000	MNRPF £000	Total £000
<b>Analysis of amount charged to operating costs:</b>			
Current service cost	281	-	<b>281</b>
<b>Analysis of amounts charged to finance costs:</b>			
Expected return on pension scheme assets	1,049	490	<b>1,539</b>
Interest on pension scheme liabilities	(1,241)	(670)	<b>(1,911)</b>
Net cost	<b>(192)</b>	<b>(180)</b>	<b>(372)</b>
<b>Analysis of amounts recognised in other comprehensive income:</b>			
Actual return less expected return on scheme assets	3,074	965	<b>4,039</b>
Experience losses arising on the scheme liabilities	3,403	-	<b>3,403</b>
Changes in assumptions underlying the present value of the scheme liabilities	(2,474)	(1,398)	<b>(3,872)</b>
Actuarial gain/(loss) recognised in other comprehensive income	<b>4,003</b>	<b>(433)</b>	<b>3,570</b>
<b>Amounts recognised in the statement of financial position:</b>			
Present value of defined benefit obligations	(29,216)	(15,724)	<b>(44,940)</b>
Fair value of scheme assets	27,125	13,815	<b>40,940</b>
Deficit in scheme recognised in non-current liabilities	(2,091)	(1,909)	<b>(4,000)</b>
Amount recoverable from immediate parent undertaking recognised in current assets	<b>2,091</b>	<b>1,909</b>	<b>4,000</b>



## Notes to the financial statements (continued)

for the year ended 31 March 2014

### 22. Retirement benefit schemes (continued)

2013	MNOPF £000	MNRPF £000	Total £000
<b>Movements in the present value of defined benefit obligations:</b>			
At 1 April 2012	(29,663)	(14,259)	(43,922)
Current service cost	(281)	-	(281)
Interest cost	(1,241)	(670)	(1,911)
Employee contributions	(166)	-	(166)
Actuarial gains/(losses)	929	(1,398)	(469)
Benefits paid	1,206	603	1,809
At 31 March 2013	(29,216)	(15,724)	(44,940)
<b>Movements in the fair value of scheme assets:</b>			
At 1 April 2012	22,926	12,657	35,583
Employer contributions	1,116	306	1,422
Employee contributions	166	-	166
Actuarial gains	3,074	965	4,039
Benefits paid	(1,206)	(603)	(1,809)
Expected return on plan assets	1,049	490	1,539
At 31 March 2013	27,125	13,815	40,940

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 each financial year end are as follows:

	Expected return		Fair value of assets	
	2014 %	2013 %	2014 £000	2013 £000
<b>MNOPF scheme</b>				
Equities	7.4	6.8	7,430	6,617
Fixed interest gilts	3.4	2.8	16,944	10,065
Bonds	4.4	4.3	1,906	5,003
Property	6.4	5.8	1,070	678
Cash	2.0	2.0	4,272	4,762
			<b>31,622</b>	<b>27,125</b>
<b>MNRPF scheme</b>				
Equities	7.4	6.8	3,386	2,694
Fixed interest gilts	3.4	2.8	3,664	3,214
Bonds	4.4	4.3	2,924	4,654
Property	6.4	5.8	336	230
Cash	2.0	2.0	2,695	3,023
			<b>13,005</b>	<b>13,815</b>

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 2014 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 2014

### 22. 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	2014	2013	2012	2011	2010
Difference between expected and actual return on scheme assets:					
amount-gain/(loss) (£000)	2,585	3,074	(488)	2,053	3,524
percentage of scheme assets	8%	11%	2%	9%	19%
Experience gains and losses arising on scheme liabilities:					
amount-gain/(loss) (£000)	(3,432)	3,403	-	(2,394)	2,350
percentage of scheme liabilities	10%	12%	-	9%	11%
Total actuarial gain/(loss):					
amount (£000)	(264)	4,003	(3,831)	(802)	3,566
percentage of scheme liabilities	1%	14%	13%	3%	16%

The estimated amounts of contributions expected to be paid to the MNOPF scheme during the financial year ended 31 March 2015 is £1,238,000.

MNRPF	2014	2013	2012	2011	2010
Difference between expected and actual return on scheme assets:					
amount-gain/(loss) (£000)	(1,031)	965	733	78	1,957
percentage of scheme assets	8%	7%	6%	1%	17%
Experience gain arising on scheme liabilities:					
amount-gain (£000)	-	-	2,902	-	-
percentage of scheme liabilities	-	-	20%	-	-
Total actuarial (loss)/gain:					
amount (£000)	(548)	(433)	1,362	(481)	540
percentage of scheme liabilities	4%	3%	10%	3%	4%

The estimated amounts of contributions expected to be paid to the MNRPF scheme during the financial year ended 31 March 2015 is £339,000.

## **Notes to the financial statements (continued)**

**for the year ended 31 March 2014**

### **23. 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 19). 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 2014

### 24. Capital commitments

At 31 March 2014 there were capital commitments to construct assets totalling £nil (2013: £4,477,925).

### 25. 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 arm's length basis.

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

2014					Due from related party	Due to related party
	Sales	Purchases	Interest payable	Pension liability/ other	Capital advance payments	Other
	£000	£000	£000	£000	£000	£000
International Nuclear Services Ltd	29,988	224	45	367	201,503	-
Nuclear Decommissioning Authority	-	1,784	-	14	-	-

2013					Due from related party	Due to related party
	Sales	Purchases	Interest payable	Pension liability/ other	Capital advance payments	Other
	£000	£000	£000	£000	£000	£000
International Nuclear Services Ltd	26,220	188	87	7,321	209,552	-
Nuclear Decommissioning Authority	-	1,784	-	-	-	9

### Key management compensation

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