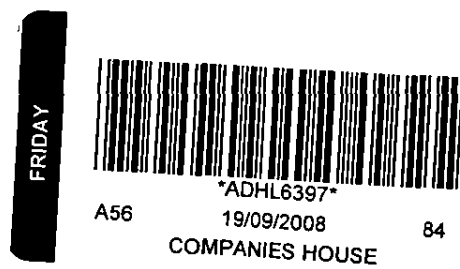


MAGNOX ELECTRIC LTD

Registered No 2264251

ANNUAL REPORT AND ACCOUNTS

31 March 2008



Magnox Electric Ltd

DIRECTORS

N D Baldwin
A R Brandwood
R S Creamer
T J Joyce
Dr C J Marchese
M Morant (Chairman)
K Powers
G Voorheis

SECRETARY

Dr MJ Cogbill

AUDITORS

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

BANKERS

National Westminster Bank Plc
Spring Gardens
Manchester
M60 2DB

SOLICITORS

Burges Salmon LLP
Narrow Quay House
Narrow Quay
Bristol
BS1 4AH

DLA Piper UK LLP
3 Noble Street
London
EC2V 7EE

REGISTERED OFFICE

Berkeley Centre
Berkeley
Gloucestershire
GL13 9PB

Magnox Electric Ltd

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 March 2008

RESULTS AND DIVIDENDS

The result for the year, after taxation, amounted to £nil (2007 loss of £8M) The Directors are unable to recommend a dividend (2007 £nil)

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

During the year the company has acted under contract to the Nuclear Decommissioning Authority (NDA) providing services in relation to the generation and supply of electricity, and the defuelling and decommissioning of non-generating sites

The Company's fee is earned by meeting certain contractual criteria as defined and agreed with the NDA for the provision of the services stated above The gross turnover for the year to 31 March 2008 is £41M (2007 £34M)

Under the Management & Operations contract the Company's principal measure of operational performance are schedule performance index (SPI) and cost performance index (CPI) against a baseline programme of work The target for SPI being 1.00 and the target for CPI being greater than 1.08 The results for the year to 31 March 2008 were an SPI of 0.99 (2007 0.99) and CPI of 1.14 (2007 1.15) This performance was achieved on an enhanced programme of work valued at £619M (2007 £693M) delivered at a cost of £543M (2007 £606M) showing an overall cost saving of £76M (2007 £87M)

During the year the Company exceeded its targets for electricity generation achieving 5,978 TWh against a target of 5,951 TWh This resulted in base fee being earned for electricity generation with Oldbury exceeding their target by 0.437 TWh and Wylfa being below target by 0.410 TWh

Due to the manner in which the Company operates, substantially all risks and rewards from operating activities except the fee income are borne by the NDA

On 30 March 2007, the NDA published its current Government approved strategy The strategy details that the NDA intend to compete two contracts for the management and operation of the Magnox sites This requires Magnox Electric to separate into two legal entities An Organisational Change Programme is being undertaken to safely separate Magnox Electric into Magnox North and Magnox South in time for the NDA competition process

On 22 November 2007, the company began a period of shadow working under the new management arrangements, as required by the Nuclear Inspection Inspectorate (NII) to demonstrate continued safe operations This period is expected to end in September 2008, when the process will be completed by formal legal separation

During the year under review the Company became a wholly owned subsidiary of Reactor Site Management Company Ltd (RSMC) The parent company (RSMC) was sold to EnergySolutions EU Ltd which is a subsidiary of EnergySolutions, Inc The sale took place on 27th June 2007

ENVIRONMENT, HEALTH, SAFETY, SECURITY AND QUALITY

Performance has been good across the Magnox Sites In the Northern region, Annual Improvement Milestones have been achieved or exceeded in most areas, with a notable further improvement in industrial safety performance In the Southern region, five of the six key performance indicators continue to show an improving trend from last year, with nuclear safety performance remaining at the highest level

In the Northern region, other highlights in 2007/08 included

- Unprecedented level of Behavioural Safety Observations, inter-dependant workforce looking after one another
- Step change in injury rates, now 'upper decile' performer Total Recordable Injury Rate (TRIR) down from 0.42 to 0.21
- Sickness injury rates remain well below national comparators
- Investment in human performance showing benefits
- Process safety performance indicator adding value
- Learning and sharing evidenced across the business, sites better supporting one another
- Lower collective dose sharing in lower risk with a 20% reduction compared with 2006/7

In the Southern region there were three regulatory actions

- A summons from the Environment Agency relating to a historical leak at Bradwell, for which there was no release outside of the site boundary
- The other two were both Enforcement Notices one relating to an incident on site at Berkeley and the other relating to finding materials during shipment checks at Bradwell In both cases there were no injuries to personnel or harm to the environment

There were lessons to learn and 'learning' is a key improvement objective for the coming year There were no enforcement actions by the Health and Safety Executive

This level of performance has been achieved against a backdrop of major organisational change to support the NDA's competition schedule Throughout 2007/08 a programme of major change continued as Magnox Electric prepares to separate into two legal entities To attain and maintain the current level of safety performance against such a background of major change is a very significant achievement

Recognition of our performance has been made by third parties such as RoSPA with awards at site and Company level

Magnox Electric Ltd

DIRECTORS' REPORT (continued)

DIRECTORS

The Directors who served during the year were as follows

M Morant (Chairman)
T J Joyce
A R Brandwood
Dr C J Marchese
N D Baldwin (appointed 15 May 2007)
K Powers (appointed 15 May 2007)
R S Creamer (appointed 10 March 2008)
G Voorheis (appointed 17 March 2008)
M D Parker (resigned 26 June 2007)
J F Edwards (resigned 26 June 2007)
A J Shuttleworth (resigned 26 June 2007)

PERSONNEL

The average number of people employed by the Company during the year was 3,712 (2007 3,608) At 31 March 2008 the total number of people employed by the Company was 3,708 (2007 3,755) The Company continues to attach importance to the involvement of its employees in the Company's development and has continued to keep them informed of matters affecting them as employees and also on the performance of the Company Recognising that the Company is working towards restructuring to comply with the NDA's strategy for competing Management & Operations contracts, the Company continued to provide continuous and regular communications to its employees and the recognised trade unions

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

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company has continued its commitment to the Prompt Payers Code of Practice drawn up by the Confederation of British Industry (CBI) with rigorous monitoring of payment performance Copies of the Code are available from CBI, Centre Point, 103 New Oxford Street, London, WC1A 1DU The Company's main payment terms are net monthly Suppliers are made aware of the terms of payment and the terms are settled when agreeing the details of each transaction The number of days of creditors outstanding at 31 March 2008 was 12 days (2007 19 days)

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

POLITICAL AND CHARITABLE DONATIONS

During the year the Company made donations to charitable organisations totalling £304,069 (2007 £129,356) funded by the NDA The Company made no contributions to political parties

DISCLOSURE OF INFORMATION TO AUDITORS


In accordance with Section 234A of the Companies Act 1985, each of the above directors

- is not aware of any relevant audit information of which the Company's auditors are unaware, and
- has taken all the steps that ought to be taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Ernst & Young LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the Board


T J Joyce
Company Director
11th September 2008

Magnox Electric Ltd

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping proper accounting records that 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 1985. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislations in other jurisdictions.

Magnox Electric Ltd

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAGNOX ELECTRIC LIMITED

We have audited the company's financial statements for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008 and of the Company's results for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
Bristol

Ernst & Young LLP
18 September 2008

Magnox Electric Ltd

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2008

	Note	2008 £M	2007 £M
Gross revenue (including Site Licence Company costs under management)		584	640
Site Licence Company costs under management		(543)	(606)
Gross turnover		41	34
Operating costs and expenses	2	(31)	(33)
Operating profit		10	1
Profit on ordinary activities before taxation		10	1
Tax on profit on ordinary activities	5	(10)	(9)
Profit/(loss) on ordinary activities after taxation	11	-	(8)
Profit/(loss) transferred to reserves		-	(8)

All amounts relate to continuing activities

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2008

	2008 £M	2007 £M
Profit/(loss) for the financial year	-	(8)
Actuarial gain/(loss) recognised in the pension scheme (note 12)	229	(113)
Actuarial (gain)/loss borne by the NDA	(229)	113
Capital contribution to facilitate sectionalisation of Electricity Supply Pension Scheme (ESPS)	-	12
Taxation charge	-	(4)
Total recognised gains and losses relating to the financial year	-	-

Magnox Electric Ltd

BALANCE SHEET

At 31 March 2008

	Notes	£M	2008 £M	£M	2007 £M
Current assets					
Debtors					
Amounts falling due within one year	7	170		256	
Amounts falling due after one year	12	-		84	
		<u>170</u>		<u>340</u>	
Creditors amounts falling due within one year	8	<u>(170)</u>		<u>(256)</u>	
Net current assets			-		84
Total assets less current liabilities			-		
Creditors					
Pension amount to the benefit of the NDA	12	<u>(157)</u>		-	
			<u>(157)</u>		-
Net (liabilities)/assets excluding pension asset/(liability)			(157)		84
Pension asset /(liability)	12		<u>157</u>		<u>(84)</u>
Net assets including pension asset /(liability)			<u>-</u>		<u>-</u>
Capital and reserves					
Called up share capital	9		-		-
Profit and loss account	11		-		-
Shareholders' Funds – Equity	10		<u>-</u>		<u>-</u>

On behalf of the Board of Directors

T. J. Joyce
Company Director
18th September 2008

Magnox Electric Ltd

NOTES TO THE ACCOUNTS

At 31 March 2008

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

a Accounting convention

The accounts are prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards

These accounts have been prepared on a going concern basis

b Group accounts

The Company is exempt from preparing group accounts in accordance with section 228a of the Companies Act 1985 Accordingly the accounts present information about the Company as an individual undertaking and not about its Group

As the Company is a wholly owned subsidiary of Reactor Sites Management Company Ltd and the Company's voting rights are controlled within the group headed by EnergySolutions, Inc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of EnergySolutions, Inc within which this Company is included, can be obtained from the address given in note 13

c Turnover

Turnover is net of costs recoverable from the NDA and represents the net fees earned under contract with the NDA

d Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, with the following exceptions

- Deferred taxation assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing difference can be deducted, and
- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets

Deferred taxation is measured on a non-discounted basis at the taxation rates that are expected to apply in the periods in which timing differences reverse, based on taxation rates and laws enacted or substantively enacted at the balance sheet date

e Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate Exchange differences are taken to the profit and loss account

f Pensions

The Company provides pension schemes for the benefit of the majority of its employees The schemes are funded by contributions partly from the employees and partly from the Company These payments are made to a separately administered fund for the Electricity Supply Pension Scheme (ESPS) The Combined Nuclear Pension Plan (CNPP) is accounted for as a defined contribution scheme as it is covered by the multi employer exemption under Financial Reporting Standard FRS17 'Retirement Benefits'

The contributions to each of these funds are based on independent actuarial valuations designed to secure the benefits as set out in the rules

For those schemes with separately administered funds the assets are measured using market values whilst the liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full with a corresponding asset or liability to the NDA for the full value of the deficit/surplus The movement in the scheme surplus/deficit after taking account of any amounts falling to/from the NDA are split between operating charges, finance items and, actuarial gains and losses, within the Statement of Total Recognised Gains and Losses

Magnox Electric Ltd

NOTES TO THE ACCOUNTS (continued) At 31 March 2008

2 NET OPERATING COSTS AND EXPENSES

	2008 £M	2007 £M
Management fees payable to parent Company	41	34
Reduction in amount due from the NDA following payment into the pension scheme by British Nuclear Fuels plc	-	12
Bonus payable to employees	12	4
FRS17 Pension current service cost	24	26
Reimbursement from NDA for FRS17 Pension current service cost	(24)	(26)
Reimbursement from British Nuclear Fuels Plc for bonus paid to employees	(12)	(4)
Reimbursement of taxation charge from British Nuclear Fuels Plc	-	(13)
Reimbursement of taxation charge from RSMC	(10)	-
	31	33

Auditors' remuneration was £94,438 (2007 £107,000). This represents £72,500 for statutory audit fees (2007 £87,000) and £21,938 (2007 £20,000) for other services.

3 EMPLOYEE INFORMATION (including Executive Directors)

	2008 £M	2007 £M
Wages and salaries	180	167
Social security costs	17	15
Pension costs	34	42
Other staff costs	1	21
	232	245

Pension costs disclosed above includes FRS 17 current and past service costs (note 12) charged to the profit and loss account together with contributions paid to defined contribution schemes. All contributions paid are included in site licence costs under management and are recovered from the NDA on a paid basis. Amounts relating to FRS 17 charges are included in the profit and loss account together with offsetting amounts reflecting the fact that any overall pension surplus or deficit is for the benefit to/to be funded by the NDA.

The average number of employees during the year was 3,712 (2007 3,608).

Employee costs are directly recoverable from the NDA.

4 DIRECTORS' EMOLUMENTS

	2008 £000	2007 £000
Aggregate emoluments	1,190	609
Retirement benefits are accruing to 4 Directors (2007 3) under a defined benefit scheme		
Aggregate emoluments for the highest paid Director	312	275
Defined benefit pension scheme for highest paid Director		
Accrued pension at end of year	17	15

All Directors are employed by the Company's parent or ultimate parent undertaking. Those employed by the parent undertaking are seconded to the Company. The emoluments detailed above include no remuneration in respect of Mr Creamer, Mr Parker, Mr Edwards or Mr Shuttleworth whose emoluments were borne by other group undertakings. 7 Directors were paid in the year ended 31st March 2008 (2007 3).

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of tax charge in year

	2008 £M	2007 £M
Corporation tax		
Current tax on income for the period	10	2
Adjustments in respect of prior periods	-	7
Tax on profit on ordinary activities	10	9

Magnox Electric Ltd

NOTES TO THE ACCOUNTS (continued) At 31 March 2008

5 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

b) Factors affecting tax charge for year

The tax assessed on the profit on ordinary activities for the year is different from the standard rate of Corporation tax in the UK of 30%. The differences are reconciled below

	2008 £M	2007 £M
Profit on ordinary activities before taxation	10	1
Tax on profit at 30% (2007: 30%)	3	-
Effects of		
Expenses not deductible for corporation tax purposes	10	2
Adjustments to tax in respect of earlier periods	-	7
Non Taxable income	(3)	-
Current tax charge for the year	10	9

The UK Corporation tax rate will reduce from 30% to 28% with effect from 1 April 2008. This rate change will affect the amount of future cash tax payments to be made by the company.

6 INVESTMENTS

	Shares in subsidiary undertakings £M
Cost	
At 1 April 2007 and 31 March 2008	2
Provisions	
At 1 April 2007 and 31 March 2008	(2)
Net Book Value	
At 31 March 2007 and 31 March 2008	-

The investment in Energy Sales and Trading Limited has been 100% impaired as any proceeds from disposing of the investment were remitted directly to the NDA.

Details of the principal investment in which the Company held more than a 20% participating interest during the year is as follows:

Name	Country of Incorporation	Holding	Proportion Held	Nature of Business
Energy Sales and Trading Limited	England and Wales	Ordinary Shares	100%	Electricity trading and risk management services, ceased trading as at 1 st April 2007

7 DEBTORS

	2008 £M	2007 £M
Amounts falling due in less than one year.		
Amounts owed by Group Undertaking	-	19
Amounts owed by Parent Undertaking	8	-
Working capital recoverable from the NDA	162	237
	170	256

Magnox Electric Ltd

NOTES TO THE ACCOUNTS (continued) At 31 March 2008

8 CREDITORS amounts falling due within one year

	2008 £M	2007 £M
Trade creditors	58	74
Amounts owed to parent undertaking	18	19
Amounts owed to other group undertakings	-	4
Corporation tax	7	13
Other taxes and social security costs	31	4
Accruals and deferred income	50	98
Other creditors	-	44
Bank overdraft	6	-
	170	256

9 SHARE CAPITAL

	2008 £	2007 £
Authorised		
50,000 ordinary shares of £1 each	50,000	50,000
Allotted and called up		
2 ordinary shares of £1 each fully paid	2	2
49,998 ordinary shares of £1 each 25p paid	12,500	12,500
	12,502	12,502

10 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £M	2007 £M
Profit/(loss) for financial year	-	(8)
Actuarial gain/(loss) recognised in the pension scheme	229	(113)
Actuarial (gain)/loss borne by the NDA	(229)	113
Capital contribution by British Nuclear Fuels plc to facilitate sectionalisation of the Magnox Electric Group of the Electricity Supply Pension Scheme (ESPS)	-	12
Taxation charge recognised in Statement of Recognised Gains and Losses	-	(4)
	-	-
Opening shareholders' funds	-	-
Closing shareholders' funds	-	-

11. RESERVES

	Profit and loss account £m
Balance at 1 April 2007	-
Profit for the financial year	-
Balance at 31 March 2008	-

Magnox Electric Ltd

NOTES TO THE ACCOUNTS (continued)

At 31 March 2008

12. PENSIONS

Defined Benefit Schemes

CNPP DB

The Combined Nuclear Pension Plan Defined Benefit (CNPP DB) Scheme is a multi-employer scheme which provides defined benefits to its members

The CNPP DB is a defined benefit plan but is accounted for as a defined contribution scheme as it is covered by the multi-employer exemption under the Financial Reporting Standard FRS 17 'Retirement Benefits'. This is due to the company being unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Any surplus/deficit generated within the scheme would be a gain/loss for the benefit of the NDA. The costs of the CNPP DB for the year were £84,000. There were no outstanding or prepaid contributions at 31st March 2008.

A Scheme Valuation was carried out at 26th June 2007 under the projected unit methodology with a 3 year control period. The assumptions used were discount rate pre retirement 6.9%, post retirement 4.9%, these are set with reference to gilt yields post retirement and a margin over gilts pre retirement, Inflation was assumed to be 3.15%, with pension increase also assumed to be 3.15% and salary growth set at inflation +0.5% (i.e. 3.65%) plus a scale.

The assumptions for FRS17 will be largely the same as these (bar the discount rate). Under FRS17 the discount rate is set by the company on the advice of the actuary and is set by reference to corporate bonds yields rather than gilts, with the same discount rate used for pre and post retirement. The inflation assumption will be set by reference to market conditions at the accounting date. The date of the FRS17 figures would be the accounting date rather than the scheme valuation date, for this industry it would be 31 March.

ESPS

The Electricity Supply Pension Scheme (ESPS) is a funded scheme. Magnox Electric Ltd employees are covered by the Magnox Electric Group of the scheme. The most recent triennial actuarial valuation of the scheme by a qualified independent actuary took place at 31 March 2007. The projected unit method was used and the main long-term assumptions made were as follows:

Discount Rate	4.9% per annum
Salary Increase	4.2% per annum
Pension Increase	3.2% per annum
Inflation assumption	3.2% per annum

The results of the valuation were as follows:

Market value of scheme assets	£1,636.4M
Level of funding	95.00%

In light of the valuation results Magnox Electric agreed to:

- Increase future service contributions to 21.4% of pensionable salaries with effect from 31 March 2007
- Pay a contribution of £12.8 M no later than 31 July 2010
- Pay contributions of £21.4 M no later than each 31 July, from 2011 to 2014 inclusive

The latest actuarial valuation has also been updated by a qualified independent actuary to 31 March 2008 on a basis consistent with FRS17.

The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £41M, (2007 £47M). These contributions payable are recoverable from the NDA. There were outstanding contributions at the year end of £16M.

The major financial assumptions used by the actuary for the FRS17 actuarial assessment were:

	2008	2007
Discount rate	6.9%	5.4%
Rate of increase in salaries	4.7%	4.2%
Rate of increase in pensions	3.7%	3.2%
Inflation assumption	3.7%	3.2%

Magnox Electric Ltd

NOTES TO THE ACCOUNTS (continued) At 31 March 2008

12 PENSIONS (continued)

Under FRS17 the fair value of the assets and liabilities of the Magnox Electric Group of the Electricity Supply Pension Scheme is detailed below

	Expected Return 2008	Fair Value 2008 £M	Expected Return 2007	Fair Value 2007 £M	Expected Return 2006	Fair Value 2006 £M
Equity	7.8%	340	7.9%	571	7.5%	833
Government bonds	4.6%	1,145	4.7%	763	4.3%	515
Corporate bonds	5.1%	67	5.2%	93	4.7%	99
Property	6.8%	107	6.9%	123	6.5%	120
Other (including cash)	6.0%	20	5.5%	79	4.6%	89
Total fair value of assets		1,679		1,629		1,656
Present value of scheme liabilities		(1,522)		(1,713)		(1,647)
Surplus/(deficit) in the scheme		157		(84)		9
Net pension asset/(liability)		157		(84)		9
Amount to the (benefit)/cost of the NDA		(157)		84		(9)
Net pension asset/(liability)		-		-		-

Analysis of the movement in scheme surplus / (deficit) during the year

	2008 £M	2007 £M
(Deficit)/surplus at beginning of the year (excluding deferred tax)	(84)	9
Current service cost	(24)	(26)
Contributions paid	41	47
Past service costs	(10)	(16)
Other finance income	5	20
Actuarial gain/(loss)	229	(113)
Surplus/(deficit) prior to sectionalisation	157	(79)
Surplus transferred to other group companies on sectionalisation of the pension scheme at 31 March 2007	-	(5)
At 31 March	157	(84)

Analysis of the amount that has been charged to operating profit

	2008 £M	2007 £M
Current service cost	24	26
Past service cost	10	16
Total operating charge	34	42

Amounts charged to operating profit in both the current and previous year have been borne by the NDA

Analysis of the amount credited to other finance income

	2008 £M	2007 £M
Expected return on pension scheme assets	97	100
Interest on pension scheme liabilities	(92)	(80)
Net return	5	20

Finance payable on the pension scheme in both the current and previous year has been borne by the NDA

Magnox Electric Ltd

NOTES TO THE ACCOUNTS (continued) At 31 March 2008

12 PENSIONS (continued)

Analysis of the amount that has been recognised in the Statement of Total Recognised Gains and Losses

	2008 £M	2007 £M
Actual return less expected return on scheme assets	(6)	(59)
Experience loss on scheme liabilities	(24)	(18)
Changes in assumption underlying the value of the liabilities	259	(36)
Actuarial gain/(loss) recognised in STRGL	229	(113)

Actuarial gains and losses in both the current and previous year has been borne/for the benefit of the NDA

History of experience in gains and losses

	2008 £M	2007 £M	2006 £M	2005 £M	2004 £M
Actual return less expected return on scheme assets	(6)	(59)	196	44	174
Percentage of scheme assets at end of year	(0.4)%	(3.5)%	11.8%	3.2%	14.4%
Experience gains and losses on scheme liabilities	(24)	(18)	2	(27)	(8)
Percentage of scheme liabilities at end of year	(1.6)%	(1.0)%	0.1%	(1.8)%	(0.5)%
Total amount recognised in statement of total recognised gains and losses	229	(113)	63	(21)	125
Percentage of scheme liabilities at end of year	(15.0)%	(6.5)%	3.8%	(1.4)%	9.4%

In the year to 31 March 2008 and going forward the pension fund has been and will be 100% funded by the NDA. Any deficit on the fund is receivable from the NDA and consequently any surplus is to the benefit of the NDA.

13 ULTIMATE PARENT UNDERTAKING

The Company is a subsidiary undertaking of Reactor Sites Management Company Limited, a Company registered and incorporated in England and Wales. The ultimate parent undertaking is EnergySolutions, Inc. The consolidated accounts of this company are available to the public and may be obtained from 423 West 300 South, Suite 200, Salt Lake City, UTAH, 84101.

14 RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary of EnergySolutions, Inc. the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Up to the point of sale of Magnox Electric Ltd to EnergySolutions, Inc. on the 27th June 2007, the company was part of the British Nuclear Fuels Plc Group of which the ultimate controlling party was Her Majesty's Government. While part of this group, undertakings under common control of Her Majesty's Government included the NDA. Up to the transfer of ownership the company earned fee income of £3 million from the NDA for the provision of services related to the operation and decommissioning of the Magnox type power stations. Costs under management of £123 million were incurred on behalf of the NDA during this period in relation to the costs associated with the operation and decommissioning of the power stations.