MAGNOX LIMITED

(formerly Magnox North Limited)

Registered No 2264251

ANNUAL REPORT AND ACCOUNTS

31 March 2011

Magnox Limited Registered No. 2264251

DIRECTORS
N D Baldwin
A R Brandwood
T J Joyce
Dr C J Marchese
K G Spooner
C Spottiswoode
M Steedman
R Waite

SECRETARY
S P Stuttaford

AUDITORS
Ernst & Young LLP
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Bristol
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BANKERS
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Magnox Limited Registered No 2264251

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 March 2011

RESULTS AND DIVIDENDS

The result for the year, after taxation, amounted to £nil (2010 £nil) The Directors are unable to recommend a dividend (2010 £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 2011 is £37M (2010 £26M) During the year, the company achieved electricity generation of 8 208TWh (2010 8 142TWh) which resulted in fee being earned of £16M (2010 £13M), included in gross turnover

Under the Management & Operations contract the Company's principal measures 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 2011 were an SPI of 1 00 (2010 1 00) and CPI of 1 08 (2010 1 09) This performance was achieved on an enhanced programme of work performed valued at £500M (2010 £405M) delivered at a cost of £463M (2010 £370M) showing an overall cost saving of £37M (2010 £35M)

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 the 5 January 2011 the company legally changed names from Magnox North Limited to Magnox Limited To allow a better alignment with the NDA's strategic priorities and improved cost efficiencies the Company was then restructured on the 5 January 2011 and the five sites that were formerly operated by Magnox South Limited under contract of the NDA were transferred into the management of Magnox Limited This restructuring was completed after all necessary regulatory authorisations had been completed

ENVIRONMENT, HEALTH, SAFETY, SECURITY AND QUALITY (EHSS&Q)

Highlights in 2010/11 included

- There has been progressive improvements in all leading and lagging indicators Most Annual Improvement Milestones (AIMs) achieved Long term trends stable or improving
- Conventional safety DACR/TRIR at upper decile levels ~0 13 and ~0 23 respectively Seven out of eleven sites (including the support office) at zero DACR Improvements in lower level events, fewer first aid cases and near misses Driving on Company business is one of our highest risk areas We have saved Over one million miles by either alternative means of travel or avoidance of travel altogether through greater use of tele/video conferencing over last two years
- Environmental Management
  - Low carbon generation at Oldbury and Wylfa equivalent to annual saving of nearly 5 million tonnes of CO_2
  - Conservation Biodiversity conservation work being undertaken at all sites Over 200 acres of land under active habitat management
- Health Sickness absence at lowest level (<5 person days) for five years
- Quality Sites have maintained certifications with ISO 9001, ISO 14001 and OSHA 18001 standards 2011 RoSPA awards at all sites and corporate level , including Gold MORR Road Safety Award
- Regulatory engagement Magnox North and South merged into a single SLC Company Project praised as an exemplar of regulatory interaction and will be used as model for future interactions
- Comprehensive assurance programme delivered underpinned by weekly SI reports, monthly scrutiny meetings, monthly reports to, Executive and NDA, quarterly and annual reports to Magnox Board, Nuclear Safety and Environment Council, Company Health Environment Safety Advisory Committee and NDA

DIRECTORS' REPORT (continued)

GOING CONCERN

Due to the manner in which Magnox Limited operates, with assurance provided by the obligations of the NDA under the M&O contract, the Directors can be confident in the assessment of the Company as a going concern, in particular in the company's ability to meet all its current liabilities It should be noted that as a transferable entity, even if ownership of the Company should change as a result of contract competition, it would continue to be the Site Licence Company, managing the sites under contract with the NDA

After making enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

DIRECTORS

The Directors who served during the year, and the period to signing the financial statements were as follows

N D Baldwin
A R Brandwood
Dr M J Cogbill (resigned 01/06/11)
T Darkey (resigned 05/01/11)
T J Joyce
Dr C J Marchese
A M Parker (resigned 23/07/10)
K G Spooner
C Spottiswoode (appointed 30/03/11)
M Steedman (appointed 05/01/11)
G Voorheis (resigned 31/05/11)
R Waite (appointed 13/06/11)

PERSONNEL

The average number of people employed by the Company during the year was 2,397 which included the additional Magnox South employees that were transferred into Magnox as at 5 January 2011 as part of the recombination (2010 2,157) At 31 March 2011 the total number of people employed by the Company was 3,474 (2010 2,227)

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

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 2011 was 24 days (2010 37 days)

CORPORATE GOVERNANCE

The directors are responsible for the Company's system of internal control and reviewing its effectiveness The directors confirm that they have reviewed the effectiveness of controls during the year However, the system of controls is designed to manage, rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss

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 £321,992 (2010 £220,829) funded by the NDA The Company made no contributions to political parties

Magnox Limited Registered No 2264251

DIRECTORS' REPORT (continued)

DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with Section 418 of the Companies Act 2006, 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

There is an elective regime in place which governs the appointment of Ernst & Young LLP as Auditors Ernst & Young LLP will continue to provide audit services until further notice is given

By order of the Board

Moira Steedman

M Steedman
Company Director
12th December 2011

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

The Dırectors are responsıble for preparıng the Annual Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements ın accordance with the Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) The financıal statements are requıred by law to gıve a true and faır vıew of the state of affaırs of the Company and of the profit or loss of the Company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make judgments and estımates that are reasonable and prudent,
- state whether applıcable UK Accountıng Standards have been followed, subject to any materıal departures dısclosed and explaıned ın the financıal statements, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropriate to presume that the Company wıll contınue ın busıness

The Dırectors are responsıble for keepıng proper accountıng records that dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the Company and enable them to ensure that the financıal statements comply with the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the Company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

The dırectors are responsıble for the maıntenance and ıntegrıty of the corporate and financıal ınformatıon ıncluded on the Company's website Legıslatıon ın the Unıted Kıngdom governıng the preparatıon and dıssemınatıon of financıal statements may dıffer from legıslatıons ın other jurısdıctıons

Magnox Limited Registered No 2264251

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGNOX LIMITED

We have audited the financial statements of Magnox Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 15 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements 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 2011 and of its results for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Ken Griffin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

22 December 2011

Magnox Limited Registered No 2264251

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2011

	Notes	2011 £M	2010 £M
Gross revenue (including Site Licence Company costs under management)		**489**	396
Site Licence Company costs under management		**(452)**	(370)
Gross turnover		**37**	26
Net operating costs and expenses	3	**(28)**	(24)
Operating profit		**9**	2
Profit on ordinary activities before taxation		**9**	2
Tax on profit on ordinary activities	6	**(9)**	(2)
Profit on ordinary activities after taxation	12	**-**	-

All amounts for the year ended 31st March 2011 relate to continuing activities

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2011

	2011 £M	2010 £M
Profit for the financial year	**-**	-
Actuarial profit/ (loss) recognised in the pension scheme (note 13)	**220**	**(172)**
Actuarial (profit)/loss borne by the NDA	**(220)**	**172**
Total recognised gains and losses relating to the financial year	**-**	**-**

Magnox Limited Registered No. 2264251

BALANCE SHEET
At 31 March 2011

	Notes	£M	2011 £M	£M	2010 £M
Current assets					
Debtors					
Amounts falling due within one year	8	185		92	
Amounts falling due after one year	13	-		128	
Cash at bank and in hand		-		14	
		185		234	
Creditors: amounts falling due within one year	9	(185)		(106)	
Net current assets			-		128
Creditors amounts falling due after more than one year					
Pension amount to the benefit of the NDA	13	*(103)*		-	
			(103)		-
Net assets/(liabilities) excluding pension (liability)/asset			(103)		128
Pension (liability)/asset	13		103		(128)
Net assets including pension (liability)/asset			-		-
Capital and reserves					
Called up share capital	10		-		-
Profit and loss account	12		-		-
Shareholders' Funds – Equity	11		-		-

On behalf of the Board of Directors

Mona Steedman

M Steedman
Company Director
12th December 2011

NOTES TO THE ACCOUNTS
At 31 March 2011

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 401 of the Companies Act 2006 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 Energy*Solutions* EU Limited, and the Company's voting rights are controlled within the group headed by Energy*Solutions*, 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 Energy*Solutions*, Inc within which this Company is included, can be obtained from the address given in note 14

c **Gross turnover**
Gross turnover is net of costs recoverable from the NDA and represents the net fees earned under contract with the NDA Fees are recognised when the right to consideration in exchange for performance is obtained Partial performance of contracted obligations is recognised to the extent that the right to consideration has been obtained

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

Pensions Schemes applicable for Magnox Group Staff

Pension Scheme	Pension Type
Electricity Supply Pension Scheme (ESPS)	Defined Benefit closed to new entrants 31st August 2007
Combined Nuclear Pension Plan (CNPP)	Defined Benefit closed to new entrants 31st August 2007
Combined Nuclear Pension Plan (CNPP)	Defined Contribution for staff joining 1st September 2007 onwards
Group Pension Scheme (GPS)	Defined Benefit closed to new entrants 31st August 2007

Payments are made to a separately administered fund for the Electricity Supply Pension Scheme (ESPS) The Combined Nuclear Pension Plan (CNPP) and the Group Pension Scheme (GPS) are accounted for as defined contribution schemes as they are covered by the multi employer exemption under Financial Reporting Standard FRS17 'Retirement Benefits'

The ESPS pension scheme closed to new entrants on 31st August 2007 and provision is made for their pension provision with a defined contribution scheme

There are two participants in the Site Licence Company (SLC) Section of the Magnox Group of the ESPS pensions scheme, Magnox Limited and Magnox South Limited However, as the SLC Section of the Magnox Section of the ESPS pension scheme has not been segregated Magnox Limited is deemed to be a principal employer and therefore discloses the entirety of the current net pension surplus or deficit 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

NOTES TO THE ACCOUNTS
At 31 March 2011 (continued)

f Pensions (continued)

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 due 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

2 RECOMBINATION

On 5 January 2011 after a period of consultation Magnox North Limited was renamed Magnox Limited and the assets and liabilities of Magnox South Limited were transferred into Magnox Limited The details of assets and liabilities transferred into Magnox Limited are detailed below

Analysis of the recombination

	Magnox South Limited as at 4 Jan 11 £M	Transferred in from Magnox South Limited £M	**Magnox South Limited as at 5th Jan 11 £M**
Current Assets			
Debtors			
Amounts falling due within one year			
Working capital recoverable from NDA	58	58	-
Amounts owed by group undertaking	1	1	-
	59	59	-
Creditors amounts falling due within one year			
Trade creditors	(16)	(16)	-
Due to affiliated company	(2)	(2)	-
Accrued expenses	(35)	(35)	-
Other liabilities	(3)	(3)	-
Liability for pension benefits	(1)	(1)	-
Bank overdraft	(2)	(2)	-
Net current assets	-	-	-
Total assets less current liabilities	-	-	-

3. NET OPERATING COSTS AND EXPENSES

	2011	2010
	£M	£M
Management fees payable to parent Company	**36**	26
FRS 17 Pension current service cost	**35**	25
Reimbursement from NDA for FRS17 Pension current service cost	**(35)**	(25)
Reimbursement of taxation charge from Reactor Sites Management Company Limited	**(9)**	(2)
	36	24

All amounts for the year ended 31st March 2011 relate to continuing activities

Auditors' remuneration was £66,260 (2010 £54,052) £35,552 for statutory audit fees (2010 £31,552) and £30,708 (2010 £22,500) for other services which were reviews undertaken for the purpose of parent body and group accounting

NOTES TO THE ACCOUNTS
At 31 March 2011 (continued)

4. EMPLOYEE INFORMATION (including Executive Directors)

	2011	2010
	£M	£M
Wages and salaries	131	111
Social security costs	11	10
Pension costs	20	38
Other staff costs	-	4
	162	163

Pension costs disclosed above includes FRS 17 current and past service costs (see note 13) 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 of and is funded by the NDA

The average number of employees during the year was 2,785 (2010 2,157)

Employee costs are directly recoverable from the NDA

5 DIRECTORS' EMOLUMENTS

	2011 £000	2010 £000
Aggregate emoluments	54	30
Retirement benefits are accruing to nil Directors (2010 nil) under a defined benefit scheme		
Aggregate emoluments for the highest paid director	29	15
Defined benefit pension scheme for highest paid director Accrued pension at end of year	-	-

A number of Directors are employed by the ultimate parent undertaking or its subsidiaries The emoluments detailed above include no remuneration for those directors whose emoluments were borne by other group undertakings

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of tax charge in year.

	2011 £M	2010 £M
Corporation tax		
Current tax on income for the period	8	5
Adjustments in respect of prior periods	1	(3)
Tax on profit on ordinary activities	9	2

b) Factors affecting tax charge for year

The tax assessed on the profit on ordinary activities for the year is the standard rate of Corporation tax in the UK of 28% (2010 28%) The differences are reconciled below

	2011 £M	2010 £M
Profit on ordinary activities before taxation	9	2
Tax on profit at 28% (2010 28%)	3	1
Effects of		
Transfer pricing adjustment	10	7
Current year R&D credit	(1)	(2)
Adjustments to tax in respect of earlier periods	1	(3)
Reimbursement of taxation charge	(3)	(1)
Current tax charge for the year	9	2

NOTES TO THE ACCOUNTS
At 31 March 2011 (continued)

c) Factors affecting future tax charge

In his budget of 23 March 2011, the Chancellor of the Exchequer announced Budget tax changes, which, if enacted in the proposed manner, will have a significant effect on the company's future tax position As at 31 March 2011, only the reduction in the main rate of the UK corporation tax to 26% with effect from 1 April 2011 has been 'substantively enacted'

The budget proposed a decrease in the rate of UK corporation tax from 26% to 24% by 1% each year, from April 2012 The decrease to 25% effective from 1 April 2012 was enacted on 5 July 2011 and the remaining reductions will be enacted annually

7 INVESTMENTS

The investment in Energy Sales and Trading Limited has been 100% impaired as this company is no longer trading

	Shares in subsidiary undertakings £M
Cost	
At 1 April 2010 and 31 March 2011	2
Provisions	
At 1 April 2010 and 31 March 2011	(2)
Net Book Value	
At 31 March 2010 and 31 March 2011	-

The investment in Energy Sales and Trading Limited has been 100% impaired as this company is no longer trading

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%	Dormant

8 DEBTORS

	2011 £M	2010 £M
Amounts falling due within one year:		
Amounts owed by group undertaking	6	-
Working capital recoverable from the NDA	179	92
	185	92

9. CREDITORS amounts falling due within one year

	2011 £M	2010 £M
Trade creditors	66	50
Amounts owed to parent undertaking	24	19
Amounts owed to other group undertakings	-	1
Corporation Tax	6	-
Other taxes and social security costs	22	13
Accruals and deferred income	59	23
Bank overdraft	8	-
	185	106

NOTES TO THE ACCOUNTS
At 31 March 2011 (continued)

10 SHARE CAPITAL

	2011 £	2010 £
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

11 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £M	2010 £M
Profit for financial year	-	-
Actuarial gain/(loss) recognised in the pension scheme	220	(172)
Actuarial (gain)/loss borne by the NDA	(220)	172
	-	-
Opening shareholders' funds	-	-
Closing shareholders' funds	-	-

12. RESERVES

	Profit and loss account £M
Balance at 1 April 2010	-
Profit for the financial year	-
Balance at 31 March 2011	-

13. 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 £3 8M There were no outstanding or prepaid contributions at 31st March 2011

A Scheme Valuation was carried out at 31st March 2010 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 55%, with pension increase also assumed to be 3 55% and salary growth set at inflation +0 5% (i e 4 05%) plus age related 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

NOTES TO THE ACCOUNTS
At 31 March 2011 (continued)

13. PENSIONS (continued)

ESPS

The Electricity Supply Pension Scheme (ESPS) is a funded scheme Magnox Limited employees are covered by the Site Licence Company (SLC) Section of the Magnox Group of the scheme

The most recent triennial actuarial valuation of the scheme by a qualified independent actuary took place at 31 March 2010 The projected unit credit method was used and the main long-term assumptions made were as follows

Discount Rate	5 9% per annum
Salary Increase	4 8% per annum
Pension Increase	3 8% per annum
Inflation assumption	3 8% per annum

The results of the valuation were as follows

Market value of scheme assets	£1,958 9M
Level of funding	99 00%

In light of the valuation results Magnox Limited agreed to

- Increase future service contributions to 21 4% of pensionable salaries with effect from 31 March 2010 on an ongoing basis
- Pay contributions of £20M no later than each 31 July, from 2012 to 2014 inclusive

The latest actuarial valuation has also been updated by a qualified independent actuary to 31 March 2011 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 £58 1M, (2010 £63M) These contributions payable are recoverable from the NDA There were outstanding contributions at the year end of £7 4M (2010 £5M)

As a result of the re integration of Magnox North Limited and Magnox South Limited into Magnox Limited there is now only one participant in the ESPS pension scheme However, as the ESPS pension scheme has not been segregated the reintegration of the two companies does not affect it Magnox Limited is deemed to be a sponsoring employer and therefore discloses the entirety of the current net pension surplus or deficit Magnox South Limited accounts for its participation in the ESPS pension scheme as a defined contribution scheme for the period of 1st April 2010 to 4th January 2011 All disclosures under FRS 17 by Magnox Limited are for the scheme in its entirety

The ESPS pension scheme was closed to new entrants on 31stAugust 2007 and provision is made for their pension provision with a defined contribution scheme

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

	2011	2010
Discount rate	**5 6%**	5 5%
Rate of increase in salaries	**3.5%**	4 7%
Rate of increase in pensions	**3 7%**	3 9%
Inflation assumption	**3.7%**	3 9%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements The assumptions are that a member currently aged 60 will live on average for a further 27 4 years if they are male and a further 29 6 years if they are female For a member who retires in 2031 at the age of 60 the assumptions are that they will live on average for a further 29 0 years after retirement if they are male and for a further 31 2 years after retirement if they are female

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

NOTES TO THE ACCOUNTS
At 31 March 2011 (continued)

13. PENSIONS (continued)

Expected return on assets

	Long-term rate of return expected at 31 March 2011 (%p.a)	Value at 31 March 2011 £M	Long-term rate of return expected at 31 March 2010 (%p a)	Value at 31 March 2010 £M
Equity	8.4%	642	8 5%	355
Government bonds	4.4%	851	4 5%	1,084
Corporate bonds	5 1%	423	5 5%	392
Property	8 1%	111	8 5%	87
Other (including cash)	1 6%	65	1 2%	35
Total fair value of assets		2,092		1,953
Present value of scheme liabilities		(1,989)		(2,081)
Surplus/(Deficit) in the scheme		103		(128)
Amount to the (benefit)/cost of the NDA		(103)		128
Net pension asset/(liability)		-		-

Magnox Limited employs a building block approach in determining the long term rate of return on pension plan assets Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles The assumed long-term rate of return on each asset class is set out within this note The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme at 31 March 2011

Changes to the present value of the defined benefit obligation during the year

	Year ended 31 March 2011 £M	Year ended 31 March 2010 £M
Opening defined benefit obligation	2,081	1,579
Current service cost	35	25
Interest cost	113	104
Contributions by scheme participants	0	0
Actuarial losses on scheme liabilities*	(159)	454
Net benefits paid out	(86)	(90)
Past service costs	5	9
Closing defined benefit obligations	1,989	2,081

* Includes changes to the actuarial assumptions

NOTES TO THE ACCOUNTS
At 31 March 2011 (continued)

13. PENSIONS (continued)

Changes to the fair value of scheme assets during the year

	Year ended 31 March 2011 £M	Year ended 31 March 2010 £M
Opening fair value of scheme assets	1,953	1,615
Expected return on scheme assets	107	83
Actuarial gains on scheme assets	60	282
Contributions by the employer	58	63
Contributions by scheme participants	0	0
Net benefits paid out	(86)	(90)
Closing fair value of scheme assets	2,092	1,953

Analysis of profit and loss charge

	Year ended 31 March 2011 £M	Year ended 31 March 2010 £M
Current service cost	33	25
Past service cost	0	9
Interest cost	110	104
Expected return on scheme assets	(121)	(83)
Expense recognised in profit and loss	22	55

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

Actual return/(loss) on scheme assets.

	Year ended 31 March 2011 £M	Year ended 31 March 2010 £M
Expected return on scheme assets	107	83
Actuarial gain/(loss) on scheme assets	60	282
Actual return/(loss) on scheme assets	167	365

NOTES TO THE ACCOUNTS
At 31 March 2011 (continued)

13 PENSIONS (continued)

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

	Year ended 31 March 2011 £M	Year ended 31 March 2010 £M
Total actuarial gain/(loss)	**220**	(172)
Change in irrecoverable surplus effect of limit in para 41	**-**	-
Total gain/(loss) in STRGL	**220**	(172)
Cumulative amount of gain/(loss) recognised in STRGL	**130**	(90)

Actuarial losses and gains in both the current and previous years are attributable to the NDA

	2011 £M	2010 £M	2009 £M	2008 £M	2007 £M
Present value of scheme assets	**2,092**	1,953	1,615	1,679	1,629
Present value of scheme liabilities	**(1,989)**	(2,081)	(1,579)	(1,522)	(1,713)
Surplus/(Deficit) in the scheme	**103**	(128)	36	157	(84)
Actual return less expected return on scheme assets	**60**	282	(142)	(6)	(59)
Experience gains and losses on scheme liabilities	**54**	(3)	(19)	(24)	(18)

In the year to 31 March 2011 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

14 ULTIMATE PARENT UNDERTAKING

The Company is a subsidiary undertaking of Energy*Solutions* EU Limited, a Company registered and incorporated in England and Wales The ultimate parent undertaking is Energy*Solutions*, 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

15 RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary of Energy*Solutions*, 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