MAGNOX LIMITED

(formerly Magnox North Limited)

Registered No 2264251

ANNUAL REPORT AND ACCOUNTS

31 March 2012

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Magnox Limited Registered No 2264251

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

SECRETARY
S P Stuttaford

AUDITORS
Ernst & Young LLP
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Magnox Limited Registered No. 2264251

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 March 2012

RESULTS AND DIVIDENDS

The result for the year, after taxation, amounted to £nil (2011 £nil) The Directors are unable to recommend a dividend (2011 £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 2012 is £32M (2011 £37M) During the year, the Company achieved electricity generation of 5 864TWh (2011 8 208TWh) which resulted in fee being earned of £7M (2011 £16M), included in gross turnover During the year both reactors at Oldbury were shut-down after 44 years of safe operation Wylfa is now the sole Magnox generating station This explains the reduction in generation output versus the previous year

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 06 The results for the year to 31 March 2012 were an SPI of 0 99 (2011 1 00) and CPI of 1 05 (2011 1 08) This performance was achieved on an enhanced programme of work performed, valued at £702M (2011 £500M) delivered at a cost of £666M (2011 £463M) showing an overall cost saving of £36M (2011 £37M)

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 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 with the NDA were transferred into the management of Magnox Limited This restructuring was completed after all necessary regulatory authorisations had been completed Due to the restructuring of the Company the 2011 comparative figures only show 12 months of the former Magnox North Limited and 3 months of the former Magnox South Limited income and costs The comparative figures are, therefore, low when looking at income and cost elements

FUTURE DEVELOPMENTS AND ACTIVITIES

The Magnox Optimised Decommissioning Programme (MODP) has been embedded into the baseline, enabling benefits that include optimised programmisation and hazard reduction, at many of our sites, with lifetime plan cost reductions close to £1 3bn In addition, decades have been removed from the site years to entry to Care and Maintenance Magnox are now seeking to out-perform the MODP

The NDA has launched the competition for Parent Body Organisation (PBO) contracts for the management of Magnox Limited and RSRL sites The competition will be conducted under the Public Contract Regulations 2006 The share transfer and contract award is scheduled for end June 2014

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

Highlights in 2011/12 included

- Continued and progressive improvement in leading and lagging indicators A high percentage of Annual Improvement Milestones (AIMs) were achieved Long term trends are stabilising or improving, with the exception of TRIR which has shown an upward trend over the last quarter of the year An improvement plan has been put in place,
- Conventional safety
  - DACR/TRIR recordings at upper decile performance levels ~0 16 and ~0 38 respectively
  - Six of eleven sites (including the support office) at zero DACR
  - Continual improvements in lower level events, fewer first aid cases and near misses have been recorded
  - Driving on Company business is recognised as one of the Company's highest risk areas The Company has continued its downward trend on miles driven (18% drop) with the use of alternative methods of communication or transportation A period of do not travel unless essential' during the winter months has been enforced
- Environmental Management
  - Low carbon generation continued at Wylfa and was successfully concluded at Oldbury (first reactor shut down in June 2011 and the remaining reactor in Feb 2012) Oldbury had generated an additional 7 4TW hours of electricity beyond scheduled shutdown planned for 2008 and saved ~ 3 5M tonnes of CO_2 being discharged into the atmosphere
  - Conservation - biodiversity conservation work has been undertaken at all sites Over 200 acres of land is now under active habitat management
  - There have been no events rated above CCS/CICS level 3 on the EA non-compliance/incident classification systems (category 1 is major and category 3 minor)
- Health
  - Sickness absence continued to be recorded at a low level (<5 person days)

DIRECTORS' REPORT (continued)

- Quality
  - Sites have maintained certifications with ISO 9001, ISO 14001 and OSHA 18001 standards
  - During 2011 RoSPA awards were achieved at both site and corporate level Magnox won the RoSPA Major Award Winner in the Engineering/Construction Sector Every site has been recognised by RoSPA again this year with several sites now having been awarded the President's Award (15 consecutive years of recognition), 120 years of RoSPA awards in total
  - Operational sites have been recognised with the Sword of Honour Award by the British Safety Council (BSC) again
  - Oldbury won the Best H&S Achievement in the Utility and Offshore Category in the SHP IOSH Awards for improving work at height in their glazing survey and replacement project Bradwell won the National Training (East of England) Award for their work on Health Physics training
- Regulatory engagement
  - Magnox became the first ever multi-site SLC to transition to the new EPR permits for Radioactive Substances Regulation This represented a steep learning curve for both the Company and the Environment Agency

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

C Spottiswoode
S Jee (appointed 01/01/12)
A R Brandwood
K G Spooner
G Voorheis (resigned 31/05/11)
T J Joyce (resigned 01/01/12)

Dr C J Marchese
R Waite (appointed 13/06/11)
N D Baldwin
M Steedman
Dr M J Cogbill (resigned 01/06/11)

S P Stuttaford was appointed as Company Secretary on 1 September 2011

PERSONNEL

The average number of people employed by the Company during the year was 3,475 (2011 2,397) At 31 March 2012 the total number of people employed by the Company was 3,416 (2011 3,474)

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 A management decision was made before 31 March 2012 to pay all outstanding confirmed creditors, whether due or not, to reduce the number of trade creditors being transferred over to the new accounting system which went live on the 1 April 2012 Therefore, number of days of creditors outstanding at 31 March 2012 was 1 day which was artificially low (2011 24 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 control 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' REPORT (continued)

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains directors' and officers' liability insurance covering the defence costs of civil legal proceedings and the damages resulting from the unsuccessful defence of such proceedings except, in each case, to the extent that a Director or Officer acted fraudulently or dishonestly

POLITICAL AND CHARITABLE DONATIONS

During the year the Company made donations to charitable organisations totalling £837,447 (2011 £321,992) funded by the NDA The Company made no contributions to political parties

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

S P Stuttaford
Company Secretary
26th October 2012

STATEMENT OF DIRECTORS' 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 law and regulations

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 2006 They are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

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 2012 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 6, 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 2012 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

11 December 2012

Magnox Limited Registered No 2264251

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2012

	Notes	2012 £M	2011 £M
Gross revenue (including Site Licence Company costs under management)		**693**	489
Site Licence Company costs under management		**(661)**	(452)
Gross turnover		**32**	37
Net operating costs and expenses	2	**(27)**	(28)
Operating profit		**5**	9
Profit on ordinary activities before taxation		**5**	9
Tax on profit on ordinary activities	5	**(5)**	(9)
Profit on ordinary activities after taxation	11	**-**	-

All amounts for the year ended 31 March 2012 relate to continuing activities

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2012

	2012 £M	2011 £M
Profit for the financial year		
Actuarial (loss)/profit recognised in the pension scheme (note 13)	**(61)**	220
Actuarial loss/(profit) borne by the NDA	**61**	(220)
Total recognised gains and losses relating to the financial year	**-**	-

Magnox Limited Registered No 2264251

BALANCE SHEET
At 31 March 2012

	Notes	2012 £M	2012 £M	2011 £M	2011 £M
Current assets					
Debtors					
Amounts falling due within one year	7	155		185	
		155		185	
Creditors amounts falling due within one year	8	(155)		(185)	
Net current assets			-		-
Creditors					
Amounts falling due after more than one year					
Pension amount to the benefit of the NDA	12	(74)		(103)	
			(74)		(103)
Net (liabilities) excluding pension asset			(74)		(103)
Pension asset	12		74		103
Net assets including pension asset			-		-
Capital and reserves					
Called up share capital	9		-		-
Profit and loss account	11		-		-
Shareholders' Funds – Equity	10		-		-

On behalf of the Board of Directors

M Steedman
Director
26th October 2012

NOTES TO THE ACCOUNTS
At 31 March 2012

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 are 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 31 August 2007
Combined Nuclear Pension Plan (CNPP)	Defined Benefit closed to new entrants 31 August 2007
Combined Nuclear Pension Plan (CNPP)	Defined Contribution for staff joining 1 September 2007 onwards
Group Pension Scheme (GPS)	Defined Benefit closed to new entrants 31 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 31 August 2007 and provision is made for their pension provision with a defined contribution scheme

Magnox Limited is the only participant in the Site Licence Company (SLC) Section of the Magnox Group of the ESPS pensions scheme As the principal employer Magnox 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 2012 (continued)

1 ACCOUNTING POLICIES (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 NET OPERATING COSTS AND EXPENSES

	2012 £M	2011 £M
Management fees payable to parent Company	**32**	37
FRS 17 Pension current service cost	**30**	35
Reimbursement from NDA for FRS17 Pension current service cost	**(30)**	(35)
Reimbursement of taxation charge from Energy*Solutions* EU Limited	**(5)**	(9)
	27	28

All amounts for the year ended 31 March 2012 relate to continuing activities

Auditors' remuneration was £120,000 (2011 £66,260) £60,000 for statutory audit fees (2011 £35,552) and £60,000 (2011 £30,708) for other services which were reviews undertaken for the purpose of parent body and group accounting

3 EMPLOYEE INFORMATION (including Executive Directors)

	2012 £M	2011 £M
Wages and salaries	**191**	131
Social security costs	**18**	11
Pension costs	**29**	20
	238	162

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 3,475 (2011 2,397)

Employee costs are directly recoverable from the NDA

4 DIRECTORS' EMOLUMENTS

	2012 £000	2011 £000
Aggregate emoluments	**21**	54
Retirement benefits are accruing for nil Directors (2011 nil) under a defined benefit scheme		
Aggregate emoluments for the highest paid director	**15**	29
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

NOTES TO THE ACCOUNTS
At 31 March 2012 (continued)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of tax charge in year

	2012 £M	2011 £M
Corporation tax		
Current tax on income for the period	5	8
Adjustments in respect of prior periods	-	1
Tax on profit on ordinary activities	5	9

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 26% (2011 28%) The differences are reconciled below

	2012 £M	2011 £M
Profit on ordinary activities before taxation	5	9
Tax on profit at 26% (2010 28%)	1	3
Effects of		
Transfer pricing adjustment	7	9
Current year R&D credit	(2)	(1)
Adjustments to tax in respect of earlier periods	-	1
Reimbursement of taxation charge	(1)	(3)
Current tax charge for the year	5	9

c) Factors affecting future tax charge

In his Budget of 21 March 2012, the Chancellor of the Exchequer announced changes to the corporation tax rate, which if enacted in the proposed manner, will have a significant impact on the Company's future tax position The reduction in the corporation tax rate to 24% with effect from 1 April 2012, together with a further 1% reduction effective from 1 April 2013 have been enacted since the balance sheet date A further 1% reduction in the corporation tax rate to 22%, effective 1 April 2014, has been announced but not enacted

6. 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 2011 and 31 March 2012	**2**
Provisions	
At 1 April 2011 and 31 March 2012	**(2)**
Net Book Value	
At 31 March 2011 and 31 March 2012	**-**

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

NOTES TO THE ACCOUNTS
At 31 March 2012 (continued)

7 DEBTORS

	2012 £M	2011 £M
Amounts falling due within one year		
Amounts owed by group undertaking	2	6
Working capital recoverable from the NDA	153	179
	155	185

8 CREDITORS amounts falling due within one year

	2012 £M	2011 £M
Trade creditors	51	66
Amounts owed to other group undertakings	19	24
Corporation tax	1	6
Other taxes and social security costs	24	22
Accruals and deferred income	51	59
Bank overdraft	9	8
	155	185

9 SHARE CAPITAL

	2012 £	2011 £
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

	2012 £M	2011 £M
Profit for financial year	-	-
Actuarial (loss)/gain recognised in the pension scheme	(61)	220
Actuarial loss/(gain) borne by the NDA	61	(220)
	-	-
Opening shareholders' funds	-	-
Closing shareholders' funds	-	-

11 RESERVES

	Profit and loss account £M
Balance at 1 April 2011	-
Profit for the financial year	-
Balance at 31 March 2012	-

NOTES TO THE ACCOUNTS
At 31 March 2012 (continued)

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 £3 7M There were no outstanding or prepaid contributions at 31 March 2012

A Scheme Valuation was carried out at 31 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

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, and
- 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 2012 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 £57 2M, (2011 £58 0M) These contributions payable are recoverable from the NDA There were outstanding contributions at the year end of £5 0M (2011 £7 4M)

The ESPS pension scheme was closed to new entrants on 31 August 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

	2012	2011
Discount rate	**4 7%**	5 6%
Rate of increase in salaries	**3 4%**	3 5%
Rate of increase in pensions	**3.3%**	3 7%
Inflation assumption	**3.5%**	3 7%

NOTES TO THE ACCOUNTS
At 31 March 2012 (continued)

12 PENSIONS (continued)

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 5 years if they are male and a further 29 7 years if they are female For a member who retires in 2032 at the age of 60 the assumptions are that they will live on average for a further 29 1 years after retirement if they are male and for a further 31 3 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

Expected return on assets:

	Long-term rate of return expected at 31 March 2012 (%p a)	Value at 31 March 2012 £M	Long-term rate of return expected at 31 March 2011 (%p a)	Value at 31 March 2011 £M
Equity	**8 1%**	**711**	8 4%	642
Government bonds	**3 1%**	**1,034**	4 4%	851
Corporate bonds	**4 7%**	**410**	5 1%	423
Property	**7 7%**	**116**	8 1%	111
Other (including cash)	**1.8%**	**47**	1 6%	65
Total fair value of assets		**2,318**		2,092
Present value of scheme liabilities		**(2,244)**		(1 989)
Surplus in the scheme		**74**		103
Amount to the (benefit) of the NDA		**(74)**		(103)
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 2012

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

	Year ended 31 March 2012 £M	Year ended 31 March 2011 £M
Opening defined benefit obligation	**1,989**	2,081
Current service cost	**30**	35
Interest cost	**110**	113
Contributions by scheme participants	**-**	-
Actuarial loss/(gain) on scheme liabilities*	**203**	(159)
Net benefits paid out	**(95)**	(86)
Past service costs	**7**	5
Closing defined benefit obligations	**2,244**	1,989

* Includes changes to the actuarial assumptions

NOTES TO THE ACCOUNTS
At 31 March 2012 (continued)

12 PENSIONS (continued)

Changes to the fair value of scheme assets during the year

	Year ended 31 March 2012 £M	Year ended 31 March 2011 £M
Opening fair value of scheme assets	2,092	1,953
Expected return on scheme assets	122	107
Actuarial gains on scheme assets	142	60
Contributions by the employer	57	58
Contributions by scheme participants	-	-
Net benefits paid out	(95)	(86)
Closing fair value of scheme assets	2,318	2,092

Analysis of profit and loss charge

	Year ended 31 March 2012 £M	Year ended 31 March 2011 £M
Current service cost	30	36
Past service cost	7	5
Interest cost	110	113
Expected return on scheme assets	(121)	(107)
Expense recognised in profit and loss	26	47

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

Actual return on scheme assets

	Year ended 31 March 2012 £M	Year ended 31 March 2011 £M
Expected return on scheme assets	121	107
Actuarial gain on scheme assets	142	60
Actual return on scheme assets	263	167

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

	Year ended 31March 2012 £M	Year ended 31 March 2011 £M
Total actuarial (loss)/gain	(61)	220
Change in irrecoverable surplus, effect of limit in para 41	-	-
Total (loss)/gain in STRGL	(61)	220
Cumulative amount of gain recognised in STRGL	69	130

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

NOTES TO THE ACCOUNTS
At 31 March 2012 (continued)

12 PENSIONS (continued)

	2012 £M	2011 £M	2010 £M	2009 £M	2008 £M
Present value of scheme assets	**2,318**	2,092	1,953	1,615	1,679
Present value of scheme liabilities	**(2,244)**	(1,989)	(2,081)	(1,579)	(1,522)
Surplus/(Deficit) in the scheme	**74**	103	(128)	36	157
Actual return less expected return on scheme assets	**142**	60	282	(142)	(6)
Experience (loss)/gain on scheme liabilities	**(11)**	54	(3)	(19)	(24)

In the year to 31 March 2012 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 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

14 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