Magnox Limited

Annual Report

For the year ended 31 March 2019

Company Registration number:

2264251

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Directors and advisors

Current directors

Andrew Spurr
Anthony Moore
Pamela Duerden
John Meyer
Kenneth Douglas
Paul Edwards
Paul Hunt
Peter Webster
Simon Bowen
Susan Jee

Company secretary

Kelly-Marie Williams

Registered office

Oldbury Technical Centre
Oldbury Naite
Thornbury
South Gloucestershire
BS35 1RQ

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Donnington Court
Pegasus Business Park
Hetald Way
East Midlands
DE74 2UZ

Strategic report for the year ended 31 March 2019

The Directors present their Strategic report on Magnox Limited (the Company) for the year ended 31 March 2019.

Principal activities

During the year the Company has operated under contract to the Nuclear Decommissioning Authority (NDA) providing services in relation to the defueling and decommissioning of non-generating sites. The Company operates under the Site Licence Company Agreement (SLCA) contract to the NDA and is a wholly owned subsidiary of the Cavendish Fluor Partnership Limited (CFP). The ultimate parent undertakings are Babcock International Group plc and Fluor Inc.

Business review

During the reporting year significant progress was seen across all the Magnox sites.

Strong progress continued with the roll out of CFP strategies which will deliver long term savings for the company and wider NDA estate including:

- The first prototype $6m^3$ Intermediate Level Waste (ILW) Concrete Box was manufactured in November 2018 and successfully completed its commissioning leak test in January 2019;
- The first of the generic Modular Active Effluent Treatment Plant (MAETP) units was inactively commissioned at Dungeness in December 2018;
- Further deployment of the borderline waste strategy delivered significant schedule mitigation;
- Delivery of further waste consolidations with four shipments of resin Mosaiks despatched from Dungeness to the Bradwell interim storage facility, and one shipment of waste from Oldbury to the Berkeley interim storage facility;
- Continued progress on the construction of encapsulation plants at Hinkley and Berkeley; and
- Completion of the interim storage facilities at Harwell and Chapelcross, whilst the Hinkley facility neared completion.

There was significant progress in respect of hazard reduction throughout the year including:

- A major improvement in defueling rates at Wylfa, so by year end the reactors were 90% defueled;
- The bulk drain down of the Ponds at Dungeness was completed in October 2018;
- The ponds drain at Oldbury was completed in February 2019;
- The drain and stabilisation of the Hunterston Pond was completed in June 2018; and
- The CFP strategy of deploying pond divers accelerated removal of pond furniture and sludges at Sizewell, allowing pond drain to commence.

On 29 November 2018 Bradwell site achieved a significant milestone for the Company, the NDA, and the UK nuclear industry by entering Care and Maintenance - the first reactor site in the UK to be granted such consent from the Office for Nuclear Regulation (ONR).

Other notable milestones or achievements across the Magnox sites included:

- Retrievals from the Berkeley Active Waste Vaults filled the 100th Ductile Cast Iron Container (DCIC) of Fuel Element Debris (FED)/resin in March 2019 - the most ILW packaged at Berkeley in any single year;
- At Chapelcross a major project milestone was achieved in April 2018 with the lift of the final heat exchanger, a little over three years after heavy lifting cranes were first deployed;
- Harwell saw significant progress in waste removal with first despatches of Dragon fuel and contact handled ILW to Sellafield; whilst the Liquid Effluent Treatment Plant (LETP) land remediation project operated at full production rates throughout the year;
- At Hunterston the waste operations of Solid Active Waste Bunker Retrieval (SAWBR) and Wet Intermediate Level Waste Retrieval and Encapsulation Plant (WILWREP) delivered significant progress ahead of schedule;
- At Trawsfynedd FED commenced inactive commissioning in August 2018;
- At Winfrith the primary containment asbestos strip-out was completed and equipment installed to allow removal of the 67 tonne Steam Drums. Further, the trials of the Dragon Reactor Core Segmentation Machine were completed in September 2018; and
- In October, the final ILW tube from the Wylfa Dry Store Cell 4 was retrieved and packaged.

Strategic report for the year ended 31 March 2019 (continued)

Financial review

The Company's revenue for the year was £599,097k (£608,979k for the year ended 31 March 2018). Profit before taxation was £45,509k (2018: £47,442k). The Company's profit for the financial year was £36,408k (2018: £39,448k).

Principal risks and uncertainties

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. The Company's fee is earned by meeting delivery milestones and performance based incentives (PBIs) as defined and agreed with the NDA under the SLCA.

The Company's operational risks primarily include environmental, health and safety, security (including cyber security), operational plant performance, waste management, asbestos, degrading assets and IT. Environmental and social effects are always considered. Documented procedures and risk assessments exist to manage risks across the business, including those concerning health and safety. Disaster recovery procedures exist which would be implemented in the event of either power and/or IT outages.

Information security risks are effectively managed across the business and individual locations with both internal and external assessments completed. Continuous improvement is required to maintain pace in the response to threats and provide the required education to key staff managing information assets in all forms. This work is funded and improvement plans approved by the executive.

Costs incurred by the Company are reimbursed by the NDA and, therefore, the Company does not have significant exposure to price, credit, liquidity or cash flow risk albeit these will have an impact on the fee earned under the contract.

Ownership of the Company will transfer from CFP to the NDA on 1 September 2019, where it will operate as a subsidiary within the NDA group. The transition arranagments are subject to detailed and integrated planning between the three organisations. The change in ownership is not seen as a significant risk at this time.

The Company undertook extensive reviews of the impact of a no deal Brexit scenario in the run up to 29 March 2019. Given the UK centric nature of the business, this concluded there was limited risk to Magnox with mitigations available or in place. The Company executive continue to monitor events, assessing any change in the risk profile.

There is no risk to NDA debtors recoverability with the exception of Management fee income which is paid by the NDA on completion of milestones and PBIs as specified in the SCLA. The current level of Management fee income accrual, £29,870k, is expected to unwind in to cash receipt during the course of 2019/20.

Environment, Health, Safety, Security and Quality (EHSS&Q)

Overall Performance

The Company's personal injury statistics have continued showing a small improving trend over the past year and the overall EHSS&Q performance remains broadly comparable with other companies in the sector. Overall, successful hazard reduction at the Company's sites has meant that as the nuclear risk profile decreases, attention is more broadly focussed on conventional, environmental and security risks for the business.

Nuclear Safety

The Company has not had any significant nuclear safety incidents. The dose to workers from radiation remains at a low level and the nuclear safety metrics have shown good performance throughout the year. Defueling of the reactors at Wylfa has made very good progress, with one reactor nearing completion of the removal of fuel. Defuelling of both reactors is expected to complete in the early autumn of 2019 and, at this point the most significant hazard will have been removed from the Magnox fleet.

Strategic report for the year ended 31 March 2019 (continued)

Conventional Safety

The Total Recordable Injury Rate (TRIR) reduced to 0.25 (2018: 0.26), which is below the average of the NDA estate, and Days Away Case Rate (DACR) stands at 0.05 (2018: 0.19), demonstrating an overall reduction in the significance of injuries across the Company fleet. The Company has maintained its Continuous Company Safety Improvement Plan to deliver it's aim of continual improvement of safety performance. For 2018/19 focus areas were aligned to Magnox's Values and the Target Zero aim for accidents and injuries, with key themes covering Safety Leadership, Asset Management and Learning and Sharing in EHSS&Q with contractor partners. The management of asbestos at sites continues to be a priority for the Company in 2018/19 and beyond.

Environmental Management

The Company has not had any incidents that caused demonstrable environmental harm and continues to make good progress in overall legacy waste reductions across the sites.

Health

The level of sickness absence showed an approximately level trend during 2018/19 at around 7 days per employee. This figure is generally lower than sector comparators. Health and wellbeing (and in particular Mental Health) continues to be a focus for the executive.

Security

The Company has continued to implement robust security arrangements across all the sites during the year. This has focussed on a number of strategic priorities; including security arrangements at Bradwell on entry into Care & Maintenance. Work has also commenced on a programme to align the Company's Nuclear Site Security Plans with the risk-based approach enabled by the regulators.

Quality

The Company has successfully maintained its certification for its operations against the latest 2015 ISO 9001, ISO 18001 and ISO 14001 standards this year and has undertaken an early audit to test preparedness to move to the new ISO45001 standard (which will replace ISO18001 in due course).

Strategic report for the year ended 31 March 2019 (continued)

Modern Slavery and Human Trafficking Statement

The Company is committed to integrity in all aspects of its business and operations and provides all its products and services in compliance with legal requirements and to high standards of corporate responsibility.

The Company works with the supply chain to ensure operation from a shared set of values and develop business relationships based on honesty, fairness and mutual trust.

The Board recognises modern slavery, servitude, human trafficking and forced labour as both a crime and a violation of fundamental human rights. They are committed to implementing and enforcing effective systems and controls to ensure that these practices are not taking place anywhere within the business, or in the supply chain.

To this end, during the last financial year the Company Executive has:

- Continued with a Modern Slavery and Human Trafficking policy which was adopted by the Board during 2016/17;
- Worked with the parent companies to ensure that it has benefitted from their experience in controlling this issue;
- Continually monitored the standard contract conditions to help ensure that the supply chain is clear about our expectations in this area;
- Continually reviewed recruitment and employment processes to ensure that all staff have a right to work in the UK and are not being forced to work against their will;
- Maintained the whistleblowing policy and process that ensures that any staff having concerns are able to freely report their concerns without fear of reprisal; and
- Ensured that procurement staff are aware of the need to ensure that the supply chain meet the Company's stringent requirements and employ similar controls and that they have:
    - Taken steps to eradicate modern slavery and human trafficking in their operations;
    - Hold their own suppliers to account; and
    - Pay their employees and contractors at least the national living wage.

As with safety, good business practice is a fundamental requirement of all our employees and suppliers.

Signed on behalf of the Board,

A Moore

A Moore
Director

31 July 2019

Directors' report for the year ended 31 March 2019

The Directors present their report and the audited financial statements of Magnox Limited for the year ended 31 March 2019.

Going concern

Due to the manner in which the Company operates, with assurance provided by the obligations of the NDA under the SLCA 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, when ownership of the Company changes, it will continue to be the Site Licence Company (SLC) managing the sites under appropriate arrangements with the NDA.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months from the point of approving this Annual Report. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Dividends

'A' share dividends of £20,025k (2018: £37,250k) were paid during the financial year. All were paid in accordance with the dividend policy agreed with the NDA, following receipt of approved fee payments from the NDA.

Nil 'B' share dividends (2018: Nil) were paid during the financial year.

Political and charitable donations

During the year the Company made charitable donations of £698k (2018: £713k) to local charities and good causes serving the communities in which the Company operates. These were funded by the NDA. The Company made no contributions to political parties (2018: £nil).

Financial risk management

Owing to the nature of its activities, the Company is not exposed to the same degree of financial risk faced by many other business entities. Financial instruments play a limited role in creating or changing risk and generally financial assets and liabilities are generated from day-to-day operational activities and not held to change the risks facing the Company in undertaking its activities. The Company has access to working capital funding from its immediate parent company to meet any temporary cash flow shortages.

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.

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. The Company's main payment terms are 30 days from date of invoice. Suppliers are made aware of the terms of payment and the terms are settled when agreeing the details of each transaction. The number of creditor days outstanding at 31 March 2019 was 25 days (2018: 12 days). Basis of calculation has changed in 18/19 to align with payments practices calculations.

Employees

The average number of people employed by the Company during the year was 2,330 (2018: 2,442). At 31 March 2019 the total number of people employed by the Company was 2,250 (2018: 2,365).

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.

Directors' report for the year ended 31 March 2019 (continued)

The Company is committed to a policy of equal opportunities for all employees, ensuring 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 practicable, 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.

Retirement benefits

Under the SLCA, the risks and rewards of pension fund performance rests with the NDA, rather than the Company. As a result, the Company accounts for the defined benefit section of both the Electricity Supply Pension Scheme (ESPS) and the Combined Nuclear Pension Plan (CNPP) are treated as though they are defined contribution schemes.

Directors

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

Andy Spurr	
Anthony Moore	
Anthony Wratten	(Resigned 7 February 2019)
Pamela Duerden	(Appointed 7 February 2019)
John Meyer	
Kenneth Douglas	
Paul Edwards	
Paul Hunt	(Appointed 9 April 2018)
Peter Webster	
Simon Bowen	
Susan Jee	
Peter Knollmeyer	(Resigned 9 April 2018)

Company secretary

Eleri Joyce	(Resigned 7 February 2019)
Kelly-Marie Williams	(Appointed 7 February 2019)

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.

There is an elective regime in place which governs the appointment of the auditors. During 2018/19 PricewaterhouseCoopers LLP continued to provide audit services. Due to the change in ownership new auditors will be appointed for 2019/20.

Signed on behalf of the Board,

A Moore

A Moore
Director

31st July 2019

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have 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.

Independent auditors' report to the members of Magnox Limited

Opinion

In our opinion, Magnox Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Balance sheet as at 31 March 2019; Profit and loss account, Statement of comprehensive income, Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the

financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report for the year ended 31 March 2019, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Magnox Limited (continued)

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report for the year ended 31 March 2019.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so..

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility

Alan Walsh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
31st July 2019

Profit and loss account

for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Revenue	4	**599,097**	608,979
Cost of sales		**(553,593)**	(561,543)
Operating profit	5	**45,504**	47,436
Interest receivable and similar income	6	**5**	6
Profit before taxation		**45,509**	47,442
Tax on profit	9	**(9,101)**	(7,994)
Profit for the financial year		**36,408**	39,448

Statement of comprehensive income

for the year ended 31 March 2019

	2019 £'000	2018 £'000
Profit and total comprehensive income for the financial year	**36,408**	39,448

All amounts for the year ended 31 March 2019 and 31 March 2018 relate to continuing activities.

The notes on pages 16 to 25 are an integral part of these financial statements.

Balance sheet

as at 31 March 2019

	Note	2019 £'000	2018 £'000
Current assets			
Debtors:	10		
Amounts falling due within one year		**149,387**	140,199
Amounts falling due after one year		**-**	325
		149,387	140,524
Cash at bank and in hand		**2,727**	9,506
		152,114	150,030
Creditors: amounts falling due within one year	11	**(113,059)**	(120,831)
Total assets less current liabilities		**39,055**	29,199
Provisions for liabilities	12	**(8,826)**	(15,353)
Net assets		**30,229**	13,846
Capital and reserves			
Called up share capital	17	**-**	-
Profit and loss account		**30,229**	13,846
Total shareholders' funds		**30,229**	13,846

The notes on pages 16 to 25 are an integral part of these financial statements.

The financial statements on pages 13 to 25 were approved by the Board of Directors on 15 July 2019 and were signed on its behalf by:

A Moore

A Moore
Director

31st July 2019

Statement of changes in equity

for the year ended 31 March 2019

	Note	Called up share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 1 April 2017		-	11,648	11,648
Profit for the financial year		-	39,448	39,448
Other comprehensive income		-	-	-
Dividends paid	14	-	(37,250)	(37,250)
Balance at 31 March 2018 and 1 April 2018		**-**	**13,846**	**13,846**
Profit for the financial year		**-**	**36,408**	**36,408**
Other comprehensive income		**-**	**-**	**-**
Dividends paid	14	**-**	**(20,025)**	**(20,025)**
Balance at 31 March 2019		**-**	**30,229**	**30,229**

The notes on pages 16 to 26 are an integral part of these financial statements.

Notes to the financial statements

1. Statement of Compliance

Magnox Limited ("the Company") is a limited company incorporated in England and Wales, part of the United Kingdom. The address of its registered office is Oldbury Technical Centre, Oldbury Naite, Thornbury, South Gloucestershire, BS35 1RQ.

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

The financial statements are prepared in sterling and rounded to the nearest £'000.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The risks and benefits associated with expenditure on intangible and tangible fixed assets by the Company lie with the NDA under the terms of the SLCA. In accordance with FRS 5, this expenditure is treated as revenue expenditure in these financial statements. The expenditure is capitalised in the NDA's financial statements.

The Company is a wholly owned subsidiary of Cavendish Fluor Partnership Limited (CFP) whose ultimate parent companies are Babcock International Group plc and Fluor Inc. It is included in the consolidated financial statements of CFP which are publicly available. Therefore, the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

The Company has taken advantage of the disclosure exemption in FRS 102 from preparing a Cash Flow Statement, as it is included within the consolidated financial statements of CFP.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next 12 months from the date of approving this annual report. Accordingly, the Directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

Revenue Recognition

Revenue is recognised as cost incurred plus margin calculated on a long term accounting basis. The margin percentage is calculated through an assessment of the likely fee outturn of the SLCA contract.

Any expected loss on the contract is recognised immediately in the profit and loss account.

Interest Income

This is interest received on the Parent Body Organisation (PBO) fee account. Interest earned on the payments account is paid to the NDA under the terms of the SLCA.

Notes to the financial statements (continued)

Accounting policies (continued)

Taxation

The taxation expense for the period comprises current and deferred tax recognised in the reporting period.

Current or deferred taxation assets and liabilities are not discounted.

a) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been exacted or substantively enacted by the period end.

b) Deferred Tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

c) Research and Development Tax Credit

Research and development ("R&D") tax credits are accounted for within Cost of Sales in the Profit and Loss Statement. This recognition has been adopted in order to offset against the research and development costs identified as qualifying for relief.

Dividends

Dividends are paid regularly in line with the policy agreed with the NDA. All dividends are approved by the Board, or by agreed delegations of authority.

Foreign currencies

Transactions in foreign currencies are translated to the functional currency of the Company using the exchange rates at the date of the transactions.

Pensions

The Company provides pension arrangements for the benefit of the majority of its employees. The schemes are funded by contributions partly from the employees and partly from the Company. The primary schemes are:

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 opened to new entrants 1 September 2007 onwards

The Group Pension Scheme (GPS) has been removed as a separate scheme and amalgamated into the CNPP scheme. The individuals who were in the GPS have had their benefits ring-fenced so they are not penalised by moving to the CNPP scheme.

The schemes are administered by separate Trustee companies. For the defined benefit schemes independent qualified actuaries complete valuations periodically and, in accordance with their recommendations, annual contributions from employees and employer are paid to the scheme so as to secure the benefits set out in the rules.

Notes to the financial statements (continued)

Accounting policies (continued)

Under the SLCA between the NDA and the Company, in the normal course of activity, the Company bears no commercial risk for the performance of the defined benefit schemes with any surplus or deficit ultimately falling to the NDA. During the life of the SLCA any changes to employer contributions would be recoverable from the NDA. As a result, the Company does not believe the accounting treatment for a defined benefit scheme is appropriate for these schemes and is, therefore, accounting for the schemes as defined contribution schemes. The cost of the employer contributions charged to the profit and loss account is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The accounting treatment was implemented in the financial year to 31 March 2015.

Operating leases

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense over the term of the lease.

Research expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit and loss account when incurred.

Termination benefits

Termination benefits, including payment in lieu of notice and outplacement training costs, are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognises termination benefits when it is demonstrably committed to either:

- terminating the employment of current employees without possibility of withdrawal;
- or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination costs are reimbursed through the contract by the NDA and are only recognised where agreement to incur the costs has been received from the NDA.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

Provisions

Provisions are recognised when:

- the Company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation;
- and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

3. Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date, and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following estimates have had the most significant effect on amounts recognised in the financial statements.

The severance provision is built up on an individual basis, using an estimate of expected severance cost based on individuals' terms and conditions and employment details.

Notes to the financial statements (continued)

Critical accounting estimates and judgements (continued)

The calculation of operating profit (primarily management fee) is derived from a long term accounting assessment of the likely fee outturn of the SLCA contract, taking into account the expected level of milestone and PBI delivery under of the SLCA contract to 31 August 2019.

4. Revenue

	2019	2018
	£'000	£'000
Contractual income	552,892	562,671
Non SLCA trading income	3,782	2,628
Fee income	42,423	43,680
Total	599,097	608,979

Revenue decreased in the year ended 31 March 2019 as a result of a decrease in the Annual Site Funding Limit (ASFL) agreed with the NDA. The change in funding was consistent with the profile in the decommissioning life time plans.

All revenues are generated from operations within the UK.

5. Operating profit

	2019	2018
	£'000	£'000
Fees payable from the NDA	42,423	43,680
Non SLCA trading income	3,782	2,628
Non SLCA trading expenditure	(3,782)	(2,329)
Profit on non SLCA trading	-	299
R&D tax credit – see note 9	5,130	5,939
50% (net value) R&D tax benefit share payable to NDA	(2,078)	(2,397)
Disallowable costs/(income)	29	(85)
	45,504	47,436

The R&D tax credit for 2018/19 has been calculated based on estimated qualifying expenditure during the year, with the estimate built up on a project by project basis. The value recognised in the above also includes a £1.2m true up of the 2017/18 R&D tax credit.

Disallowable costs have been adjusted in the year 2018/19 to take account of vehicle repair costs below the value of the insurance excess in line with the commercial agreement with the NDA.

Operating profit has been arrived at after charging:

	2019	2018
	£'000	£'000
Charitable donations – Socio-Economic funding agreed with the NDA	698	713
Audit fees payable to the Company's auditors	63	70
Taxation advisory services:		
General taxation	13	9
RDEC	69	55
Internal audit services	316	232

No other services were acquired from the Company's auditors and no additional fees beyond the audit fees disclosed were paid.

6. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable and similar income:		
Bank interest	**5**	6
	5	6

7. Employee information

By Activity:	2019 Average Numbers	2018 Average Numbers
Delivery	**1,171**	1,253
Specialist	**582**	588
Lead	**456**	476
Other	**121**	125
	2,330	2,442

	2019 £'000	2018 £'000
Wages and salaries	**133,571**	134,693
Social security costs	**14,772**	15,023
Pension costs	**29,341**	30,077
Other costs	**1,440**	1,593
	179,124	181,386

The average number of employees during the year was 2,330 (2018: 2,442).

8. Directors' emoluments

	2019 £'000	2018 £'000
Aggregate emoluments	**130**	130

Retirement benefits are accruing for nil (2018: nil) directors under a defined benefit scheme

Aggregate emoluments for the highest paid director:		
Non-executive emoluments	**25**	25
Chair of the Pension Trustees	**50**	50

The Directors are not in any of the pension schemes provided by the Company.

The emoluments detailed only include remuneration for those Directors whose emoluments were borne through the Company.

The Chair of the Pension Trustee is also a Director of the Company.

9. Tax on profit

(a) Analysis of tax charge in year:

	2019 £'000	2018 £'000
Corporation tax on income for the year	**9,101**	7,994
Tax on profit	**9,101**	7,994

(b) Factors affecting tax charge for the year

The tax assessed on the profit before taxation for the year is the standard rate of Corporation tax in the UK of 19% (2018: 19%).

	2019 £'000	2018 £'000
Profit before taxation	**45,509**	47,442
Tax on profits at 19% (2018: 19%)	**8,646**	9,014
Prior Year adjustment	**455**	(1,020)
Current tax charge for the year	**9,101**	7,994

Prior year adjustments comprise of deferred tax asset adjustments and 2017/18 actual tax compared to the accrual made at 31 March 2018.

(b) Factors affecting tax charge for the year (continued)

The R&D tax credit is presented per the Research and Development Expenditure Credit (RDEC) method for the current financial year, in line with the calculation method used in the prior financial year.

	2019 £'000	2018 £'000
Estimated R&D Tax Credit	**3,888**	4,300
50% net payable to NDA	**(1,575)**	(1,742)
	2,313	2,558
Tax payable on R&D tax credit at 19% (2018:19%) (included in tax charge above).	**439**	486

The R&D Tax Credit has been calculated based on an estimated qualifying expenditure during the year.

Tax on profit (continued)

Adjustments for the prior year R&D tax credit to account for the final agreed position in the current year financial statements.

	2019	2018
	£'000	£'000
Prior year R&D Tax Credit adjustment for the final agreed position	1,242	1,639
50% net payable to NDA	(502)	(656)
	740	983
Tax payable on R&D tax credit (included in tax charge above).	141	187
Total R&D tax credit including prior year adjustments	5,130	5,939
50% net payable to NDA	(2,078)	(2,397)
	3,052	3,541

There is no unprovided deferred tax. (Note 13)

Changes to the UK corporation tax rates were substantially enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in the financial statements.

10. Debtors

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Tax debtor		
Corporation tax	(6,954)	(5,886)
R&D	9,430	9,230
Net tax debtor	2,476	3,344
Working capital recoverable from the NDA:		
Invoice and accruals	106,050	108,008
Severance (due within one year)	5,405	13,386
Management fee income	29,870	13,046
Deferred tax (short term timing differences – see note 13)	3,486	2,175
Other debtors	2,100	240
	149,387	140,199

The corporation tax position includes the effect of the R&D credit due from HMRC.

The R&D value for 2017/18 was an estimate in 2017/18. The 2018/19 figure includes an adjustment for the final agreed position for 2017/18 and an estimate for 2018/19, both were unpaid at 31 March 2019 creating a net debtor balance.

Debtors (continued)

The movement in the severance balance versus the prior year reflects the estimated severances in the next 12 months associated with the closure of Bradwell following entry into Interim State (IS).

The increase in management fees payable from the NDA in 2018/19 was driven by increased profit recognition as outlined in the critical accounting judgements (note 3) and the profile of milestone and Performance Based Incentive (PBI) fee payable within the SLCA.

Amounts falling due after more than one year

	2019	2018
	£'000	£'000
Working capital recoverable from the NDA (Severance)	**-**	325
	-	325

The balance relates to severance costs recoverable from the NDA. The corresponding creditor balance is included within Provisions for liabilities (see note 12).

11. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	**37,790**	66,298
Taxation and social security	**18,151**	18,560
Accruals	**57,118**	35,973
	113,059	120,831

The decrease in taxation and social security relates to the timing of the payment of PAYE and NI at the end of March 2019 and a decrease in VAT due to a lower costbase invoice in March 2019.

Changes between trade creditors and accruals is due to the change in policy at the start in 2018/19 which transferred the recognition of uninvoiced receipts from 'goods received not invoiced', which was included within Trade Creditors in prior periods, to recognise directly within accruals. This change was made to provide better visability of the accruals made.

12. Provisions for liabilities

	Other
	£'000
At 1 April 2018	15,353
Increase in the year	3,421
Release in the year	(442)
Unwinding of prior year discounting	8
Paid in the year	(9,514)
At 31 March 2019	**8,826**

£5,405k of the remaining provision relates to voluntary severances, that is expected to be paid out in the next 12 months. The remaining relates to claims and an end of contract provision, all expected to be resoved and paid in the next 12 months.

The majority of the provision release relates to severance and the payments made to people leaving Bradwell as it moves into the Interim State (IS).

Notes to the financial statements (continued)

13. Deferred taxation

The major components of the deferred tax asset recorded are as follows:

	2019	2018
	£'000	£'000
Short term timing differences – primarily relating to severance costs and holiday pay accruals	3,486	2,175
Total deferred tax	**3,486**	**2,175**

The movement on the deferred tax asset is as follows:

	£'000
At 1 April 2018	2,175
Increase in 2018/19 – due mainly to unpaid bonus accruals for 2017/18	1,311
At 31 March 2019	**3,486**

14. Dividends

'A' share dividends of £20,025k (£37,250k for year ended March 2018) were paid to CFP in the year ended 31 March 2019 in line with agreed policy.

No 'B' share dividends were paid in the financial year (Nil for year ended March 2018).

15. Guarantees and financial commitments

a) Contingent liabilities

At the year end the Company had no contingent liabilities. (2018: £nil).

b) Operating lease commitments

At the year end the Company had no non-cancellable operating leases. (2018: £nil).

c) Capital commitments

At 31 March 2019 the Company had capital commitments of £nil (2018: £nil).

16. Retirements benefits

(a) 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. This change in accounting policy was implemented in 2014/2015 and continues under the same principles.

The employer contribution rate to the CNPP for the Company during the reporting year was set at 25.8% of pensionable earnings. Following the triennial valuation, the employer contribution rate increased for the financial year commencing 1st April 2018.

The scheme was closed to new entrants on 31 August 2007. New recruits to the Company after 1 September 2007 are eligible to join the defined contribution structure of the CNPP.

Notes to the financial statements (continued)

Retirements benefits (continued)

ESPS DB

The Electricity Supply Pension Scheme (ESPS) is a defined benefit scheme. The SLC Section within the Magnox Group Section of this scheme covers Magnox Limited employees. The ESPS DB is a defined benefit plan but is accounted for as a defined contribution scheme. This change in accounting policy was implemented in 2014/2015 and continues under the same principles.

The employer contribution rate to the ESPS for the Company during the reporting year was set at 33.6% of pensionable earnings.

The scheme was closed to new entrants on 31 August 2007. New recruits to the Company after 1 September 2007 are eligible to join the defined contribution structure of the CNPP.

(b) Defined contribution schemes

CNPP DC

The CNPP Defined Contribution (DC) Scheme is administered on behalf of the Company by Aegon. The funds are managed by BlackRock Investment Management (UK) Ltd. Employees are automatically enrolled in the DC Plan unless they choose to opt out. If they wish to be a member they choose the level of contribution they wish to make, from a minimum of 3% of salary. The Company contribution is on a sliding scale, dependent upon the employee contribution rate, from a minimum of 8% up to a maximum of 13.5%.

17. Called up share capital

	2019	2018
	£	£
Allotted and fully paid:		
1 A share of £1 each fully paid	**1**	1
1 B share of £1 each fully paid	**1**	1
	2	2

18. Related party transactions

As the Company is a wholly owned subsidiary of Cavendish Fluor Partnership Limited, the Company has taken advantage of the exemption contained in FRS 102 and has, therefore, not disclosed transactions or balances with entities which form part of the group.

19. Ultimate parent undertaking

The immediate parent undertaking is Cavendish Fluor Partnership Limited.

The ultimate parent companies are Babcock International Group plc (a company incorporated in England and Wales) and Fluor Inc. (a company incorporated in the United States of America).

These financial statements will be consolidated as part of Cavendish Fluor Partnership Limited.