

Reactor Sites Management Company Ltd

Report and Financial Statements

For the period from incorporation on 21 November 2006 to 31 March 2008



Reactor Sites Management Company Ltd

Registered No 6005193

Directors

V Christensen
M Morant
T Joyce
A Brandwood
P Strawbridge

Secretary

C Oliver

Auditors

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

Registered Office

Berkeley Centre (Building C11)
Berkeley
Gloucestershire
GL13 9PB

Directors' report

The directors present their first report and the audited financial statements of Reactor Sites Management Company Ltd (the "Company"), for the period ended 31 March 2008

Principal activities

The Company's principal activity during the period is managing the operation of two generating nuclear power stations and the management of decommissioning eight dormant nuclear power stations in the UK under a contract with, and on behalf of, the Nuclear Decommissioning Authority (a UK government body), the owner of the power stations

Review of business and future developments

The profit and loss account for the period is set out on page 7

In the period to 31 March 2008 the Company made an operating profit of £47,334k

The Company was incorporated on 21 November 2006

On 26 June 2007 EnergySolutions EU Ltd bought 100% of the share capital of the Company for a consideration of £91,032,000

Dividends

The Company's profit for the financial period after taxation is £47,503k. A dividend of £31,331,762 has been paid to EnergySolutions EU Ltd

Directors

The directors who held office during the period are given below

V Christensen	(appointed 31 October 2007)
M Morant	(appointed 26 June 2007)
T Joyce	(appointed 15 June 2007)
A Brandwood	(appointed 26 June 2007)
P Strawbridge	(appointed 31 October 2007)
C S Reid	(appointed on incorporation, resigned 26/3/07)
A J Shuttleworth	(appointed on incorporation, resigned 26/6/07)
J F Edwards	(appointed on incorporation, resigned 26/6/07)

Directors' liabilities

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Directors' report

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirm that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are not aware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

A resolution to appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting



T. Joyce
Director

Date

18 September 2008

Statement of directors' responsibilities in respect of 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 for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period.

In preparing the Company financial statements the directors are required to

- Select suitable accounting policies and apply them consistently,
- Make judgements that 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 to enable them to ensure that the Company financial statements comply with Companies Act 1985. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Reactor Sites Management Company Limited

We have audited the financial statements of Reactor Sites Management Company Limited for the period ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Independent auditors' report

to the members of Reactor Sites Management Company Limited (continued)

Opinion

In our opinion

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

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

Bristol

Date *18 September 2008*

Profit and Loss Account

for the 16 months ended 31 March 2008

	<i>Note</i>	<i>16 months ended 31 March 2008 £'000</i>
Turnover	2	63,558
Cost of sales		(1,486)
Gross profit		62,072
Administrative expenses		(14,738)
Operating profit	5	47,334
Interest receivable	3	147
Net finance income	11	400
Profit before tax		47,881
Taxation	6	(378)
Profit for the period		47,503

All results are from continuing operations

Statement of total recognised gains and losses

for the 16 months ended 31 March 2008

	<i>16 months ended 31 March 2008 £'000</i>
Profit for the financial period	47,503
Recognition of pension scheme surplus following formal sectionalisation of the pension scheme at 31 March 2007 (note 11)	2,100
Deferred taxation arising on sectionalisation	(630)
Actuarial gain	700
Deferred taxation arising on actuarial gain	(196)
Total gains and losses recognised in the financial period	49,477

Balance sheet

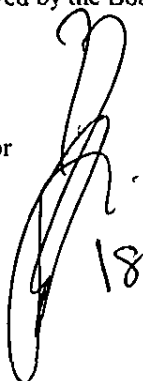
at 31 March 2008

	Note	31 March 2008 £'000
Fixed Assets		
Investments	7	-
Current assets		
Debtors	8	22,998
Cash and cash equivalents	10	6,354
		29,352
Current liabilities		
Creditors due less than 1 year	12	(13,053)
Net assets excluding pension asset		16,299
Pension Asset	11	2,088
Net assets		18,387
Capital and Reserves		
Called up share capital	15	1
Capital contribution	14	241
Profit and Loss Account	14	18,145
Total shareholder's equity		18,387

Approved by the Board

Director

Date


18 September 2008

Notes to the financial statements

at 31 March 2008

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the applicable United Kingdom accounting standards and under the historical cost convention

Cash flow statement

The Company has taken advantage of the exemptions contained in FRSI (Revised) and has not prepared a cash flow statement

Revenue recognition

Turnover, which excludes value added tax, represents the value of services supplied

Foreign currency translation

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less

Post Retirement benefits

The Company provides pension schemes for the benefit of the majority of its employees. The schemes are funded by contributions partly from the employees and partly from the Company. These payments are made to separately administered funds for the BNFL Group Pension Scheme and the Electricity Supply Pension Schemes.

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

Assets are measured using market values whilst the liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Notes to the financial statements

at 31 March 2008

The Company is unable to identify its share of the underlying assets and liabilities of the BNFL Group Pension Scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Share-based payments

The cost of equity settled transactions with employees is measured by reference to the estimated fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using the Black-Scholes-Merton model.

No expense is recognised for awards that do not ultimately vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

2. Turnover

Turnover is attributable to the provision of management services in the UK.

3. Interest receivable

	<i>16 months ended 31 March 2008 £'000</i>
Interest income on bank deposit	147

4. Dividend paid

	<i>16 months ended 31 March 2008 £'000</i>
Interim dividend paid	31,332

Notes to the financial statements

at 31 March 2008

5. Operating profit

*16 months
ended
31 March
2008
£'000*

Operating profit is stated after charging

Audit remuneration - audit fees
 - tax services

25
5

30

6. Taxation

*16 months
ended
31 March
2008
£'000*

Current tax

378

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

*16 months ended
31 March
2008
£'000*

Profit before taxation

47,881

Profit on ordinary activities multiplied by standard rate
of corporation tax in the UK of 30%

14,364

Effect of

Expenses not deductible for tax purposes

3,101

Non taxable income

(6,750)

Transfer pricing adjustment

(10,337)

Current taxation

378

Notes to the financial statements

at 31 March 2008

7. Fixed asset investments

<i>Cost</i>	<i>Shares in subsidiary undertakings</i>
<i>£</i>	
Additions	1
31 March 2008	1

	Holding	Country of incorporation	Principle Activity	Class and percentage of share held
Subsidiary undertakings				
Magnox Electric Limited	Ordinary Shares	UK	Management and Operations Contractor	100%
Magnox South Limited	Ordinary Shares	UK	Dormant Company	100%
Magnox North Limited	Ordinary Shares	UK	Dormant Company	100%

8. Debtors

	<i>31 March 2008</i>
	<i>£'000</i>
Amounts due from group companies	22,998

Notes to the financial statements

at 31 March 2008

9. Employees and directors

	<i>31 March 2008 £'000</i>
<i>Staff costs for the Company during the period</i>	
Wages and salaries	2,788
Social security costs	301
Other pension costs (note 11)	900
	<hr/> 3,989 <hr/>

Average monthly number of people (including executive directors) employed during the period were as follows

	<i>31 March 2008 No</i>
Management services	71
General and administration	1
	<hr/> 72 <hr/>

The directors of Reactor Sites Management Company Ltd are also Directors of Magnox Electric Ltd and their emoluments have been disclosed in the Statutory Accounts of Magnox Electric Ltd. As such, the directors do not consider that they have received any remuneration for their incidental services to the Company for the period ended 31 March 2008.

10. Cash and cash equivalents

	<i>31 March 2008 £'000</i>
Cash at bank and in hand	6,354
	<hr/>

Notes to the financial statements

at 31 March 2008

11. Pension schemes

The company is a member of two pension schemes, the BNFL Group Pension Scheme and the Electricity Supply Pension Scheme, all providing benefits based on final pensionable pay

BNFL Group Pension Scheme

On 31 March 2007, the BNFL Group Pension Scheme was split into various sections, however the Company remains unable to identify its share of the schemes' assets and liabilities on a consistent and reasonable basis as required by FRS 17 because it continues to share a section of the scheme with other companies. Consequently, the scheme has been accounted for as if it is a defined contribution scheme. The employees in this scheme became employees of the Company on 23 March 2007 although costs up to 31 March 2008 continued to be borne by other group companies and consequently there is no pension cost charge in the period. There were no outstanding or prepaid contributions at the period end.

Electricity Supply Pension Scheme

On 31 March 2007, the Electricity Supply Pension Scheme (ESPS) was split into various sections. Following the sectionalisation, these financial statements reflect the company's share of the FRS 17 assets and liabilities at 31 March 2008.

The latest actuarial valuation of the RSMC Section of the Magnox Electric Group of the ESPS took place on 31 March 2007.

The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the RSMC section of the Magnox Electric Group of the ESPS for FRS 17 were

	%
Discount rate	5.4
Salary increase	4.2
Pension increase	3.2
Inflation assumption	3.2

Notes to the financial statements

at 31 March 2008

11 Pension schemes (continued)

The valuation for the Company's section of the ESPS has been updated on a basis consistent with FRS 17
The major financial assumptions used are

	2008
	%
Rate of increase in salaries	5.2
Rate of increase in pensions	3.7
Inflation assumption	3.7
Discount rate	6.9

The fair value of the assets and liabilities for the Company's section of the scheme are as follows

	2008 £'000
Equities	11,300
Property	1,100
Government bonds	3,700
Other (including cash)	1,100
Total market value of assets	17,200
Present value of scheme liabilities	(14,300)
Net surplus	2,900
Deferred tax liability	(812)
Net pension asset	2,088

The expected rates of return for the Company's section of the scheme are

	2008
	%
Equities	7.8
Property	6.8
Government Bonds	4.6
Other	6.0

The movements in the surplus in the period are as follows

Notes to the financial statements

at 31 March 2008

11. Pension schemes (continued)

	2008 £'000
Surplus in scheme at beginning of the year	-
Current Service Cost	(900)
Contributions	600
Past service costs	0
Other finance income	400
Actuarial gain	700
Surplus recognised on sectionalisation of the pension scheme at 31 March 2007	2,100
Closing surplus in scheme before deferred tax	2,900
Deferred tax	(812)
Closing surplus in scheme	2,088
Analysis of amount charged to operating profit	For the period ending 31 March 2008 £'000
Current service cost	900
Past service cost	-
Total operating charge	900
Analysis of amount credited to other finance income	For the period ended 31 March 2008 £'000
Expected return on Scheme assets	1,200
Interest on pension Scheme liabilities	(800)
Net finance income	400
Analysis of actuarial gain recognised in Statement of Total Recognised Gains and Losses	For the period ended 31 March 2008 £'000
Actual return less expected return on Scheme assets	(1,800)
Experience gains and losses arising on scheme liabilities	(200)
Changes in assumptions underlying the present value of the scheme liabilities	2,700
Actuarial gain recognised in Statement of Total Recognised Gains and Losses	700

Notes to the financial statements

at 31 March 2008

11. Pension schemes (continued)

This is the first year of the history of experience gains and losses to report in respect of the Company's section of the ESPS scheme. The details are below

History of experience gains and losses	For the period ending 31 March 2008
Difference between expected and actual return on scheme assets	
Amount (£M)	(1.8)
Percentage of Scheme assets	(10.3%)
Experience gains (losses)	
Amount (£M)	(0.2)
Percentage of the present value of the scheme liabilities	(1.4%)
Actuarial Gain recognised in Statement of Recognised Gains and Losses	
Amount (£M)	0.7
Percentage of the present value of the Scheme liabilities	4.9%

12. Creditors due less than 1 year

	31 March 2008 £'000
Amounts due to group companies	11,106
Accruals	144
Corporation tax	378
Other taxes and Social Security creditor	1,425
	<u>13,053</u>

Notes to the financial statements

at 31 March 2008

13. Share-based payments

The Group has one equity-based compensation plan, by which certain employees are granted options to subscribe for ordinary shares in the ultimate parent company, *EnergySolutions Inc*

On 14th November 2007 the ultimate parent company, *EnergySolutions Inc* was floated on the Securities and Exchange Commission in New York. As part of the flotation, certain senior managers within the *EnergySolutions* group were granted share options. The exercise price of the options is \$23 per share. The options vest, subject to the employees continued service, in equal instalments on each of the first, second, third and fourth anniversaries of the date of grant. The contractual life of the options is 5 years. There are no cash alternatives.

The expense recognised in the income statement for share-based payments in respect of employee services during the period to 31 March 2008 is £241,066. The grant of these options by the ultimate parent company is shown as a capital contribution (note 14).

The following table illustrates the number and weighted average exercise process (WAEP) of, and movements in share options during the period

	31 March 2008	
	WAEP	
	No	\$
Outstanding at the beginning of the period	-	-
Granted during the period	602,100	23
Outstanding at the end of the period	602,100	23
Exercisable at the end of the period	-	-

The determination of fair value of stock-based payment awards on the date of grant using Black-Scholes-Merton model is affected by stock price and the implied volatility on its traded options, as well as the input of other subjective assumptions. These assumptions include, but are not limited to, the expected term of stock options and expected stock price volatility over the term of the award. The following table lists the inputs to the model used for the period ending 31 March 2008.

Weighted average share price - \$	23.00
Weighted average exercise price - \$	23.00
Expected volatility - %	35%
Expected life – years	3.75
Risk Free rate - %	3.63%
Expected dividend yield	0.43%

The expected volatility is based on a combination of selected historical volatility and implied volatility of the Group's common stock, comparable peer companies and selected industry indices. The expected life of the award is computed as the average vesting term and the term of the option.

The risk-free rate assumption is based upon observed interest rates of constant maturity treasuries appropriate for the term of the company's employee stock options.

Notes to the financial statements

at 31 March 2008

14. Reserves

	Capital Contribution	Profit and loss account
	£'000	£'000
Profit for the period	-	47,503
Recognition of pension scheme surplus following formal sectionalisation of the pension scheme at 31 March 2008 (note 11)	-	2,100
Deferred taxation arising on sectionalisation	-	(630)
Actuarial gain	-	700
Deferred taxation arising on actuarial gain	-	(196)
Share based payment	241	-
Dividend paid		(31,332)
At 31 March 2008	<u>241</u>	<u>18,145</u>

15. Called up share capital

	21 November 2006 £	31 March 2008 £		
<i>Authorised</i>				
1,000 ordinary shares of £1 each	1,000	1,000		
	<hr/> <hr/>	<hr/> <hr/>		
	21 November 2006 No	21 November 2006 £	31 March 2008 No	31 March 2008 £
<i>Allotted, called up and fully paid</i>				
ordinary shares of £1 each	1	1	1,000	1,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Company was incorporated with one ordinary share fully paid by British Nuclear Fuels plc. On March 29 2007, 999 ordinary shares of £1 each, partly paid at 0.1pence per share, were allotted to British Nuclear Group Limited. On the same day these shares were transferred to British Nuclear Fuels plc. These shares were fully paid on 14 May 2007.

Notes to the financial statements

at 31 March 2008

16. Reconciliation of movement in shareholders funds

	<i>31 March</i>
	<i>2008</i>
	<i>£'000</i>
On incorporation	-
Proceeds of share issue	1
Profit for the period	47,503
Capital contribution	241
Other recognised gains and losses	1,974
Dividend paid	(31,332)
At 31 March 2008	<u>18,387</u>

17. Related party transactions

The Company has taken advantage of the exemption within FRS8 not to disclose related party transactions with other group companies which are more than 90% controlled by EnergySolutions LLC

18. Controlling party and parent company

The ultimate controlling party and parent undertaking of the smallest and largest group of undertakings of which the company is a member, and for which group financial statements are drawn up, is EnergySolutions LLC, a company incorporated in the United States of America. Copies of its group financial statements are available from EnergySolutions Inc, 423 West 300 South, Suite 200, Salt Lake City, Utah, 84101, USA