

Horizon Nuclear Power Services Limited

Annual Report and Financial Statements
for the year to 31 December 2010

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Horizon Nuclear Power Services Limited

Annual Report and Financial Statements for the year to 31 December 2010

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Horizon Nuclear Power Services Limited

Directors' report for the year to 31 December 2010

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2010

Principal activities

The principal activity of Horizon Nuclear Power Services Limited ("the Company") is to provide support to Horizon Nuclear Power Limited, Horizon Nuclear Power Wylfa Limited and Horizon Nuclear Power Oldbury Limited (together "the Group")

Review of business and future developments

Horizon Nuclear Power Services Limited is a 100% owned subsidiary of Horizon Nuclear Power Limited, itself a 50/50 joint venture owned by RWE Npower plc and E.ON UK plc (the "Ultimate Shareholders"). The Company was incorporated on 6 February 2009 as a UK limited company. The address of its registered office is 5210 Valiant Court, Gloucester Business Park, Delta Way, Gloucester, GL3 4FE.

Throughout the year, the Company has continued to provide support to the development of the sites at Wylfa and Oldbury, owned respectively by its sister companies Horizon Nuclear Power Wylfa Limited and Horizon Nuclear Power Oldbury Limited towards obtaining the necessary consents to construct and operate new nuclear power plants.

The principal key performance indicators the Company applies to manage its activities is cost optimisation and monitoring of project development milestones. Costs are detailed in note 2 (Operating costs).

Going forward, the Company will continue to provide support to the development of the sites at Wylfa and Oldbury, as well as providing support to any alternative low carbon electricity generation in which the Group may invest.

Financial risk factors

The management of the Company and the execution of the Company's strategy are subject to a number of risks. These are principally around the wider political and public acceptance of building new nuclear power stations, and specifically around obtaining the relevant licences and approvals to build and operate a nuclear power plant at the Group's sites. The Company manages these risks through careful stakeholder involvement and monitoring against the project milestones.

In addition, the directors have identified the need to manage the Company's material financial risks, which are principally around cash flow and liquidity management. These risks are monitored by the Finance and Risk function which develop cash flow forecasts and funding schedules for the Company. The Company is funded by its parent company, which is itself funded by the Ultimate Shareholders. The Company's cash position is expected to satisfy any short-term liquidity requirements.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. No assets or liabilities at the end of the period are deemed to carry a significant cash flow risk.

The Company currently does not have any significant credit or market risks, and is exposed to limited foreign exchange risk in the normal course of business.

During the year, the Company entered one material contract whose settlement currency was Euros. To manage the resulting foreign currency exposure, a number of Euro forward contract purchases were entered into with settlement dates matching the payment schedule for the underlying contract.

Horizon Nuclear Power Services Limited

Directors' report for the year to 31 December 2010 (continued)

Financial risk factors (continued)

The profile of these payments is monitored monthly and the forward contracts optimised to reflect the latest cashflow

Policy on payment of creditors

It is the company's policy to agree payment terms with suppliers when agreeing the terms of each transaction, to pay all accounts payable as they fall due, and to abide by agreed terms of payment. The average creditor days at the end of the year for the Company were 95 days based on the ratio of average creditors during the year and total purchases

Charitable donations

The company made one donation of £500 to Young Gloucestershire, charity number 281797 (2009 £0)

Political donations

No political donations were made by the Company during the year (2009 £0)

Employees

The Company has no employees. Staff undertaking activities for the Company are seconded between the Company and the Ultimate Shareholder company or affiliates of the Ultimate Shareholder company by which the individual is employed

Results and dividends

In line with expectations, the Company recorded a loss of £28,338,000 during the year covered by these financial statements. The Company's total asset position as at 31 December 2010 was £50,874,000. To support ongoing development costs, capital injections were made in 2010, as detailed in note 9 to the financial statements

The directors do not propose a dividend for the year ended 31 December 2010

Directors and their interests

The directors who held office during the year to 31 December 2010 and up to the date of this report (except as noted) were

| | |
|------------------|---------------------------|
| Volker Beckers | Resigned 20 January 2010 |
| Ralf Guedner | |
| Hartmut Pamme | Resigned 1 April 2010 |
| Colin Scoins | |
| Klaus Hammer | Resigned 20 January 2010 |
| Kevin McCullough | |
| Fiona Stark | Appointed 20 January 2010 |
| Frank Weigand | Appointed 20 January 2010 |
| Joern-Erik Mantz | Appointed 1 April 2010 |

The directors do not have any interest in the shares of Horizon Nuclear Power Services Limited or its parent company

Horizon Nuclear Power Services Limited

Directors' report for the year to 31 December 2010 (continued)

Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 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. 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.

In accordance with Section 418, each director in office at the date the directors' report is approved, confirms that

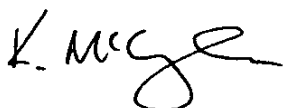
(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue as auditors of the Company and to remain in office until the next Annual General Meeting of the Company at which accounts are laid.

By Order of the Board



22 June 2011

KEVIN MACLOUGH

Horizon Nuclear Power Services Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HORIZON NUCLEAR POWER SERVICES LIMITED

We have audited the financial statements of Horizon Nuclear Power Services Limited for the year ended 31 December 2010 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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.

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.

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.

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 December 2010 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and as applied in accordance with the Companies Act 2006, 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.

Horizon Nuclear Power Services Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HORIZON NUCLEAR POWER SERVICES LIMITED (continued)

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

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22 June 2011

Horizon Nuclear Power Services Limited

Statement of comprehensive income for the year to 31 December 2010

| | <i>Note</i> | Year to 31 December 2010 £'000 | Period to 31 December 2009 £'000 |
|--|-------------|---|---|
| Revenue | | - | - |
| Operating costs | 2 | (28,419) | (9,423) |
| Operating loss | | (28,419) | (9,423) |
| Finance income | 5 | 113 | 4 |
| Loss before tax on ordinary activities | | (28,306) | (9,419) |
| Tax expense on ordinary activities | 6 | (32) | (1) |
| Loss for the year, attributable to equity shareholder | | (28,338) | (9,420) |
| Total comprehensive income for the year, attributable to equity shareholder | | (28,338) | (9,420) |

All amounts relate to continuing operations

The notes on pages 11 to 23 form an integral part of these financial statements

Comparative figures are shown for the period from incorporation on 6 February 2009 to 31 December 2009

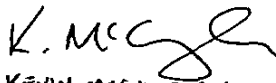
Horizon Nuclear Power Services Limited

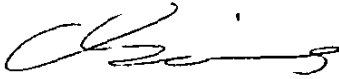
Balance sheet as at 31 December 2010

| | Note | 31 December 2010 £'000 | 31 December 2009 £'000 |
|---|------|------------------------------|------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 4,017 | 2,218 |
| Intangible assets | | - | - |
| | | 4,017 | 2,218 |
| Current assets | | | |
| Trade and other receivables | 8 | 23,534 | 4,196 |
| Deposits with shareholders | 8 | 20,000 | 22,800 |
| Cash and cash equivalents | | 3,323 | 70 |
| | | 46,857 | 27,066 |
| Total assets | | 50,874 | 29,284 |
| Equity and liabilities | | | |
| Equity attributable to shareholder | | | |
| Share capital | 9 | 69,500 | 29,500 |
| Retained earnings | | (37,758) | (9,420) |
| Total equity | | 31,742 | 20,080 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 19,116 | 9,203 |
| Current income tax liabilities | | 16 | 1 |
| Total liabilities | | 19,132 | 9,204 |
| Total equity and liabilities | | 50,874 | 29,284 |

The notes on pages 11 to 23 form an integral part of these financial statements

The financial statements on pages 7 to 23 were approved by the Board of Directors on 22 June 2011 and signed on their behalf by


KEVIN MCCULLOUGH
Director
22 June 2011


COLIN SCANS
Director
22 June 2011

Horizon Nuclear Power Services Limited

Registered Number: 06812099

Horizon Nuclear Power Services Limited

Statement of changes in equity for the year to 31 December 2010

| | <i>Note</i> | Share Capital £'000 | Retained earnings £'000 | Total equity £'000 |
|------------------------------------|-------------|------------------------------------|--|-----------------------------------|
| Balance at 31 December 2009 | | 29,500 | (9,420) | 20,080 |
| Loss for the year | | - | (28,338) | (28,338) |
| Issue of share capital | 9 | 40,000 | - | 40,000 |
| Balance at 31 December 2010 | | 69,500 | (37,758) | 31,742 |

Comparative figures are shown below for the period from incorporation on 6 February 2009 to 31 December 2009

| | <i>Note</i> | Share Capital £'000 | Retained earnings £'000 | Total equity £'000 |
|------------------------------------|-------------|------------------------------------|--|-----------------------------------|
| Balance at incorporation | | - | - | - |
| Loss for the period | | - | (9,420) | (9,420) |
| Issue of share capital | 9 | 29,500 | - | 29,500 |
| Balance at 31 December 2009 | | 29,500 | (9,420) | 20,080 |

The notes on pages 11 to 23 form an integral part of these financial statements

Horizon Nuclear Power Services Limited

Cash flow statement for the year to 31 December 2010

| | Year to 31 December 2010 £'000 | Period to 31 December 2009 £'000 |
|---|---|---|
| Cash flows from operating activities | | |
| Loss for the year | (28,419) | (9,423) |
| Depreciation | 480 | 80 |
| Increase in receivables | (19,337) | (4,193) |
| Increase in payables | 9,913 | 9,203 |
| Taxation paid | (17) | - |
| Net cash used in operating activities | (37,380) | (4,333) |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment (PPE) | (2,280) | (2,297) |
| Interest Income | 113 | - |
| Net cash used in investing activities | (2,167) | (2,297) |
| Cash flows from financing activities | | |
| Proceeds from issuance of ordinary shares | 40,000 | 29,500 |
| (Increase) / decrease in deposits to shareholders | 2,800 | (22,800) |
| Net cash generated from financing activities | 42,800 | 6,700 |
| Net increase in cash and cash equivalents | 3,253 | 70 |
| Cash and cash equivalents at beginning of year | 70 | - |
| Cash and cash equivalents at end of year | 3,323 | 70 |

The notes on pages 11 to 23 form an integral part of these financial statements

Comparative figures are shown for the period from incorporation on 6 February 2009 to 31 December 2009

Horizon Nuclear Power Services Limited

Notes to the financial statements for the year to 31 December 2010

1 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, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The parent company, Horizon Nuclear Power Limited, has confirmed that it will continue to support the Company for at least the forthcoming 12 months from the date of approval of these financial statements. Accordingly, the directors are satisfied that the going concern basis remains appropriate for the preparation of the financial statements.

The preparation of financial statements in conformity with IFRS 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 on page 15.

Horizon Nuclear Power Services Limited was incorporated on 6 February 2009 as a UK limited company. The address of its registered office is 5210 Valiant Court, Gloucester Business Park, Delta Way, Gloucester, GL3 4FE.

Foreign currency translation

The financial statements are presented in sterling, which is the Company's functional currency and the Parent's presentation currency.

Foreign currency transactions are recorded at the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of comprehensive income within other expenses.

Property, plant and equipment

Property, plant and equipment are shown at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Horizon Nuclear Power Services Limited

Notes to the financial statements for the year to 31 December 2010 (continued)

1 Accounting policies (continued)

Property, plant and equipment (continued)

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over the estimated useful lives of the assets.

Ranges of estimated useful lives are as follows:

| | |
|-----------------------|---------|
| Fixtures and Fittings | 5 years |
| IT equipment | 3 years |

Trade and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables'.

Cash and cash equivalents

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

Share capital

Ordinary shares are classified as equity.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Recharge Services to Affiliated Companies

The Company provides services to its affiliated companies, Horizon Nuclear Power Limited, Horizon Nuclear Power Wylfa Limited and Horizon Nuclear Power Oldbury Limited, including the administering of invoice payments to external suppliers. During the year, those external costs incurred that specifically related to an affiliated company were passed through to that affiliated company at cost. These are shown within operating costs.

Horizon Nuclear Power Services Limited

Notes to the financial statements for the year to 31 December 2010 (continued)

1 Accounting policies (continued)

Current and deferred income tax

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date in the United Kingdom. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Financial instruments

The Company has elected not to seek to hedge account its future foreign exchange transactions, the instruments are held for trading. All forward foreign currency transactions are disclosed as trade and other receivables or trade and other payables on the Balance Sheet at inception and marked to market at the end of each period. Any movement on these positions is disclosed as a credit or debit within the operating results in the Statement of comprehensive income. The mark to market revaluations were calculated using the RWE Npower Treasury Management System based on official ECB FX rates and discounting the cashflows to the balance sheet date according to the currency yield curve. The details are disclosed in the notes on pages 11 to 23.

Horizon Nuclear Power Services Limited

Notes to the financial statements for the year to 31 December 2010 (continued)

1 Accounting policies (continued)

Recent accounting developments

The following standards, amendments and interpretations became effective for the first time for the year beginning 1 January 2010 but either have no material impact or are not relevant to the Company

- IFRS 1 (revised) 'First-time adoption'
- IFRS 3 (revised) 'Business combinations'
- IAS 27 (revised) 'Consolidated and separate financial statements'
- Amendment to IAS 39, 'Financial instruments Recognition and measurement', on Eligible hedged items
- Amendment to IFRS 2, 'Share based payments – Group cash-settled share-based payment transactions'
- Amendments to IFRS 1 for additional exemptions
- IFRIC 12, 'Service concession arrangements'
- IFRIC 15, 'Agreements for the construction of real estate'
- IFRIC 16, 'Hedges of a net investment in a foreign operation'
- IFRIC 17, 'Distributions of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'

There are also a number of changes to the standards as a result of the annual improvements April 2009 project mainly effective for the financial year beginning 1 January 2010. These had no material impact on the Company.

The following new standards, amendments to standards and interpretations have been issued, but are effective from 1 January 2011 onwards and have not been early adopted and are not expected to have a material impact on the Company.

- IFRS 1 (amendment) 'First-time adoption on financial instrument disclosures', effective from 1 July 2010
- IFRS 7 (amendment) 'Financial instruments Disclosures Transfers of financial assets', effective from 1 July 2011
- IFRS 9 'Financial instruments', effective from 1 January 2013
- IAS 24 (revised) 'Related party disclosures', effective from 1 January 2011
- IAS 32 (amendment) 'Financial instruments Presentation Classification of rights issues', effective from 1 February 2010
- IFRIC 14 (amendment) 'Prepayments of a minimum funding requirement', effective from 1 January 2011
- IFRIC 19 'Extinguishing financial liabilities with equity instruments', effective from 1 July 2010
- IAS 12 'Income taxes Deferred tax recovery of underlying assets', effective from 1 July 2012
- IAS 28 (revised) 'Investments in associates', 1 January 2013
- IFRS 10 'Consolidated financial statements', effective 1 January 2013
- IFRS 11 'Joint arrangements', effective 1 January 2013
- IFRS 12 'Disclosures of the interests in other entities', effective 1 January 2013
- IFRS 13 'Fair value measurement', effective 1 January 2013
- IAS 27 (revised) 'Consolidated and separate financial statements', effective 1 January 2013
- Amendment to IFRS 1 on hyperinflation and fixed dates effective 1 July 2013
- IAS 12 (amendment), 'Income taxes' on deferred tax, effective 1 January 2013

Horizon Nuclear Power Services Limited

Notes to the financial statements for the year to 31 December 2010 (continued)

1 Accounting policies (continued)

Recent accounting developments (continued)

There are also a number of changes to standards as a result of the annual improvements 2010 project, mainly effective for the financial year beginning 1 January 2011. These are not expected to have a material impact on the Company.

Financial risk factors

Details about the Company's assessment of financial risk factors are included within the Directors' Report on pages 2 and 3.

Significant accounting estimates and judgements

Preparation of financial statements pursuant to IFRS requires assumptions and estimates to be made, which have an impact on the recognised value of the assets and liabilities carried on the balance sheet, on income and expenses, and on the disclosure of contingent liabilities.

All assumptions and estimates are based on the circumstances and forecasts prevailing on the balance sheet date. Although management uses its best estimates and judgements, actual results could differ from these estimates as future confirming events occur.

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2 Operating costs

| | Year to 31 December 2010 £'000 | Period to 31 December 2009 £'000 |
|---------------------------------------|---|---|
| Cost of staff seconded to the Company | 6,181 | 2,130 |
| Depreciation | 480 | 80 |
| Operating lease costs | 226 | 76 |
| Other expenses | 21,532 | 7,137 |
| Total operating costs | 28,419 | 9,423 |

Horizon Nuclear Power Services Limited

Notes to the financial statements for the year to 31 December 2010 (continued)

3 Auditors' remuneration

| | Year to 31 December 2010 £'000 | Period to 31 December 2009 £'000 |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the financial statements | 12 | 12 |

4 Employee benefits and Directors' remuneration

The Company does not employ any staff. Staff undertaking activities for the Company are seconded between the Company and the Ultimate Shareholder company or an affiliate of the Ultimate Shareholder Company by which the individual is employed. At 31 December 2010, the Company had 103 seconded staff, with a charge of £6,181,000.

None of the directors of the Company received any remuneration in respect of their services to Horizon Nuclear Power Services Limited. Directors' emoluments are paid by the Ultimate Shareholder companies by which the respective directors are employed.

5 Finance income

| | Year to 31 December 2010 £'000 | Period to 31 December 2009 £'000 |
|--|---|---|
| Finance income, being interest on deposits | 113 | 4 |
| Finance income | 113 | 4 |

6 Tax expense on ordinary activities

| | Year to 31 December 2010 £'000 | Period to 31 December 2009 £'000 |
|----------------------------------|---|---|
| Current tax on loss for the year | (32) | (1) |
| Deferred tax credit for the year | - | - |
| Tax expense | (32) | (1) |

Horizon Nuclear Power Services Limited

Notes to the financial statements for the year to 31 December 2010 (continued)

6 Tax expense on ordinary activities (continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for the following reasons

| | Year to 31 December 2010 £'000 | Period to 31 December 2009 £'000 |
|---|---|---|
| Loss before tax | 28,306 | 9,419 |
| Tax credit calculated at the standard rate of corporation tax (28%) | 7,926 | 2,637 |
| Tax effects of - Pre-trading expenditure for which no deferred income tax asset was recognised | (7,958) | (2,638) |
| Tax expense | (32) | (1) |

Factors that may affect future tax charges

During the year Finance (No 2) Act 2010 introduced a reduction in the main rate of UK corporation tax from 28% to 27%. Finance (No 2) Act was substantively enacted on 20 July 2010 with the intention that it would be effective from 1 April 2011, such that the relevant deferred tax balances have been re-measured using a deferred tax rate of 27%.

Further reductions to the UK corporation tax rate were announced in the 2011 Budget speech on 23 March 2011. These changes proposed to reduce the rate by 2% from 28% to 26% from 1 April 2011 and a further 1% per annum to 23% from 1 April 2014. The 1% annual reductions are expected to be included in future Finance Bills.

The 2% reduction from 1 April 2011 replaces the 1% reduction proposed by Finance (No 2) Act 2010.

The 2011 budget changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements.

In addition, legislation is expected to be introduced in Finance Bill 2011 reducing the rates of capital allowances on assets in the main and special pools from 20% to 18% and from 10% to 8% respectively from 1 April 2012. The directors are in the process of evaluating the impact these changes will have on future tax charges.

Horizon Nuclear Power Services Limited

Notes to the financial statements for the year to 31 December 2010 (continued)

7 Property, plant and equipment

| | Fixtures and fittings £'000 | IT equipment £'000 | Total £'000 |
|------------------------------------|-----------------------------------|--------------------------|----------------|
| Cost | | | |
| Balance at 31 December 2009 | 2,146 | 151 | 2,297 |
| Additions | 194 | 2,086 | 2,280 |
| Balance at 31 December 2010 | 2,340 | 2,237 | 4,577 |
| Accumulated Depreciation | | | |
| Balance at 31 December 2009 | (72) | (8) | (80) |
| Charge for year | (429) | (51) | (480) |
| Balance at 31 December 2010 | (501) | (59) | (560) |
| Net book value | | | |
| Balance at 31 December 2009 | 2,075 | 143 | 2,218 |
| Balance at 31 December 2010 | 1,839 | 2,178 | 4,017 |

Comparative figures are shown below for the period from incorporation on 6 February 2009 to 31 December 2009

| | Fixtures and fittings £'000 | IT equipment £'000 | Total £'000 |
|------------------------------------|-----------------------------------|--------------------------|----------------|
| Cost | | | |
| Balance at incorporation | - | - | - |
| Additions | 2,147 | 151 | 2,298 |
| Balance at 31 December 2009 | 2,147 | 151 | 2,298 |
| Accumulated Depreciation | | | |
| Balance at incorporation | - | - | - |
| Charge for period | (72) | (8) | (80) |
| Balance at 31 December 2009 | (72) | (8) | (80) |
| Net book value | | | |
| Balance at incorporation | - | - | - |
| Balance at 31 December 2009 | 2,075 | 143 | 2,218 |

Horizon Nuclear Power Services Limited

Notes to the financial statements for the year to 31 December 2010 (continued)

8 Trade and other receivables

| | 31 December 2010 £'000 | 31 December 2009 £'000 |
|--|------------------------------|------------------------------|
| Deposits receivable from the Ultimate Shareholders | 20,000 | 22,800 |
| Amounts due from related parties (see note 12) | 21,639 | 2,372 |
| Prepayments | 692 | - |
| Other receivables | 1,203 | 1,824 |
| Trade and other receivables | 43,534 | 26,996 |

The Company has entered agreements with the Ultimate Shareholders to enable it to deposit equal amounts of surplus funds with them. The deposits are repayable on demand. The interest rate applicable to each deposit is LIBOR less 5 basis points.

The other receivables within trade and other receivables do not contain impaired assets.

9 Share capital

| | Number of shares issued '000 | Ordinary shares £'000 |
|------------------------------------|------------------------------------|-----------------------------|
| Balance at 31 December 2009 | 29,500 | 29,500 |
| Proceeds from shares issued | 40,000 | 40,000 |
| Balance at 31 December 2010 | 69,500 | 69,500 |

The total authorised number of ordinary shares is 1,000,000,000 shares of £1.00 each. The issued and paid ordinary share capital is 69,500,001 shares.

The Company issued 40,000,000 ordinary shares of £1.00 each on 12 August 2010 to Horizon Nuclear Power Limited as a funding injection for development activities.

Comparative figures are shown below for the period from incorporation on 6 February 2009 to 31 December 2009.

| | Number of shares issued '000 | Ordinary shares £'000 |
|------------------------------------|------------------------------------|-----------------------------|
| Proceeds from shares issued | 29,500 | 29,500 |
| Balance at 31 December 2009 | 29,500 | 29,500 |

Horizon Nuclear Power Services Limited

Notes to the financial statements for the year to 31 December 2010 (continued)

10 Trade and other payables

| | 31 December 2010 £'000 | 31 December 2009 £'000 |
|---|------------------------------|------------------------------|
| Trade payables due to related parties (see note 12) | 8,960 | 6,974 |
| Accrued expenses | 10,117 | 2,097 |
| Other payables | 39 | 132 |
| Trade and other payables | 19,116 | 9,203 |

11 Commitments and contingent liabilities

The Company has the following commitments

(a) Operating lease commitments

The Company leases its headquarters building in Gloucester under an operating lease agreement. The lease term is for 10 years, although there is a cancellation clause after 5 years. Thereafter the Company is required to give six months notice for the termination of the agreement. The lease expenditure charged to the statement of comprehensive income during the year is disclosed in note 2. The future minimum lease payment due later than 1 year and no later than 5 years from the balance sheet date is £869,000 (2009 £351,000).

(b) IT contract commitment – E ON UK plc

In November 2009, the Company entered a four year agreement with E ON UK plc for the provision of information technology infrastructure equipment and ongoing support to the Company. The agreement may be terminated at any point after one year, although the Company would be liable to an early cancellation charge equivalent to the cost of any unrecovered investment by the supplier. This equates to a maximum commitment of £184,000 which reduces during the lifetime of the agreement.

(c) IT contract commitment

In November 2010, the Company entered a three year agreement with a third party IT provider for the delivery of core infrastructure and a managed IT service. The agreement may be terminated at any point, although the Company would be liable to an early cancellation charge if cancelled prior to the end of 2012 equivalent to 6 months service charge plus redeployment costs or, if during 2013, the balance of contract value. This equates to a maximum commitment of £620,000 which reduces during 2013 to £557,000.

(d) GDA step 4 – Technical Collaboration Agreement (TCA)

The Company is party to an agreement to support a technology provider in the Generic Design Assessment (GDA) of its AP1000 nuclear reactor by paying a share of its UK regulatory and administrative support costs, the Company's original estimate of these 2011 costs was £2.2m. The TCA was expected to end with the grant by the regulators of an Interim Design Acceptance Confirmation (IDAC) and an Interim Statement of Design Acceptability (ISODA) at the end of June 2011.

However, events in March 2011 at the Fukushima site in Japan have resulted in a change to the regulators' strategy and work under the TCA is now likely to continue until either a vendor is selected by the Company or the fallback date of 31 May 2012 built into the TCA. This means that there will be additional costs beyond June 2011.

Horizon Nuclear Power Services Limited

Notes to the financial statements for the year to 31 December 2010 (continued)

11 Commitments and contingent liabilities (continued)

(e) Additional Support to Third Party

In August 2010, the Company entered into a contract with a third party. Within the terms of this contract, the third party could make a claim of up to £10,000,000 to support them with their costs in association with developing a licensing case for plant design

12 Related party transactions

The Company has received assistance from the Ultimate Shareholders and a number of the Ultimate Shareholders' affiliates during the year for various operational and support activities. It also has debtor positions with its affiliates, Horizon Nuclear Power Limited, Horizon Nuclear Power Wylfa Limited and Horizon Nuclear Power Oldbury Limited as the Company incurs all costs relating to the Horizon Nuclear Power Group before transferring these to the final entity

| | 31 December 2010 £'000 | 31 December 2009 £'000 |
|--|------------------------------|------------------------------|
| <i>Value of costs charged by related parties during the year</i> | | |
| - from RWE Technology UK Limited | 332 | - |
| - from RWE Technology GmbH | 2,220 | - |
| - from RWE Power AG | 816 | - |
| - from EON Kernkraft GmbH | 2,575 | - |
| - from EON Ruhrgas AG | 4 | - |
| - from E ON New Build & Technology Limited | 720 | - |
| - from E ON UK Plc | 4,384 | 6,497 |
| - from RWE Npower Plc | 4,181 | 5,115 |
| <i>Year-end balance arising from transfer of costs</i> | | |
| - with RWE Technology UK Limited | (332) | - |
| - with RWE Technology GmbH | (2,220) | - |
| - with RWE Power AG | (441) | - |
| - with EON Kernkraft GmbH | (2,861) | - |
| - with EON Ruhrgas AG | (4) | - |
| - with E ON New Build & Technology Limited | (334) | - |
| - with E ON UK Plc | (1,393) | (2,865) |
| - with RWE Npower Plc | (1,376) | (4,109) |
| - with Horizon Nuclear Power Limited | (8) | - |
| <i>Value of costs transferred during the year</i> | | |
| - to Horizon Nuclear Power Oldbury Limited | 3,939 | 1,005 |
| - to Horizon Nuclear Power Wylfa Limited | 15,316 | 1,343 |
| - to Horizon Nuclear Power Limited | 24 | 12 |
| <i>Year-end balances arising from transfer of costs</i> | | |
| - with Horizon Nuclear Power Oldbury Limited | 4,944 | 1,005 |
| - with Horizon Nuclear Power Wylfa Limited | 16,659 | 1,343 |
| - with Horizon Nuclear Power Limited | 36 | 24 |

Horizon Nuclear Power Services Limited

Notes to the financial statements for the year to 31 December 2010 (continued)

12 Related party transactions (continued)

The operating costs that are passed through to affiliates Horizon Nuclear Power Limited, Horizon Nuclear Power Oldbury Limited and Horizon Nuclear Power Wylfa Limited are at cost and are shown as a reduction in the operating costs of the Company

13 Financial instruments by category

| | Derivatives used for hedging £'000 | Total £'000 |
|------------------------------------|---|----------------|
| 31 December 2010 | | |
| Assets as per Balance Sheet | | |
| Derivative Financial Instruments | 41 | 41 |
| Total | 41 | 41 |

| | Derivatives used for hedging £'000 | Total £'000 |
|---|---|----------------|
| 31 December 2010 | | |
| Liabilities as per Balance Sheet | | |
| Derivative Financial Instruments | - | - |
| Total | - | - |

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2010 were £2,109,000 (2009: £0).

Comparative figures are shown below for the period from incorporation on 6 February 2009 to 31 December 2009.

Horizon Nuclear Power Services Limited

Notes to the financial statements for the year to 31 December 2010 (continued)

13 Financial instruments by category (continued)

| | Derivatives used for hedging £'000 | Total £'000 |
|---|---|-----------------------------|
| 31 December 2009 | | |
| Assets as per Balance Sheet | | |
| Derivative Financial Instruments | - | - |
| Total | - | - |
| | Derivatives used for hedging £'000 | Total £'000 |
| 31 December 2009 | | |
| Liabilities as per Balance Sheet | | |
| Derivative Financial Instruments | - | - |
| Total | - | - |

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2010 were £2,109,000 (2009: £0).

14 Events after the reporting period

The Company issued 40,000,000 ordinary shares of £1.00 each on 17 March 2011 to Horizon Nuclear Power Limited as a funding injection for development activities.