# Sellafield Limited

## Directors' report and financial statements

(Registered number 1002607)

31 March 2009

**DIRECTORS**

Mr W G Poulson (Managing Director)
Dr G T Wright
Mr G D Beveridge
Ms F Williams
Mr P Foster
Mr D Becker
Lord Clark of Windermere
Sir Paul Lever
Rear-Admiral T C Chittenden

**SECRETARY**

Mr P J Holland

**AUDITORS**

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

**BANKERS**

National Westminster Bank plc
P.O. Box 305
Spring Gardens
Manchester
M60 2DB

**REGISTERED OFFICE**

Booths Park
Chelford Road
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WA16 8QZ

# Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2009.

**Results and dividends**

The loss before taxation was £14 million (2008: loss £7 million). In 2009 the Company earned fees totalling £19 million under Management & Operations (M&O) contracts with the Nuclear Decommissioning Authority (NDA) (2008: £35 million). This represented 100% of the available fee pool as a result of the Company's performance against the NDA's performance-based initiatives (PBI's) (2008: 90%).

The loss for the year, after taxation, amounted to £2 million (2008: profit £14 million). Following a capital restructuring completed on 6 April 2009, an interim dividend of £11,475,999 was declared on 21 May 2009 (2008: £nil) and paid to the shareholder on 28 May 2009. A final dividend of £1,159,000 was declared on 23 July 2009 (2008: £nil) and paid to the shareholder on 30 July 2009. Interim dividends for the year ending 31 March 2010 of £1,200,000 and £3,200,000 were declared on 23 July 2009 and 14 September 2009 respectively, and paid to the shareholder on 30 July 2009 and 17 September 2009. No dividends were declared or paid during the year ended 31 March 2009.

**Principal activities, review of the business and future developments**

Prior to 31 March 2005, the principal activity of the Company was to provide nuclear clean-up, decommissioning and environmental services together with nuclear facility management and operations to the government.

From 1 April 2005, the Energy Act 2004 created the Nuclear Decommissioning Authority (NDA) to secure the operation, decommissioning and clean up of designated nuclear sites. The principal role of the Company is to operate nuclear sites under site licence and operation contracts with the NDA. This includes nuclear facility management and operations, and managing the customer interface between the company and utilities, both in the UK and overseas, that send used fuel to Sellafield for recycling.

All costs incurred by the Company in the performance of the Management and Operations (M&O) contracts are reimbursed by the NDA, unless they are specifically disallowable under the contract. The Company puts in place advance agreements with the NDA to obtain pre-approval of certain items of expenditure, to ensure that the expenditure is allowable under the terms of the M&O contracts.

Following consultations with the NDA and the Department for Business, Enterprise and Regulatory Reform (BERR), it was announced on 24 October 2006 that the NDA would run a full competition for the Sellafield contract. During the year, NDA selected Nuclear Management Partners Limited (NMP) as the successful bidder. As a result, all the issued share capital of the Company was transferred from British Nuclear Group Limited (BNG) to NMP on 24 November 2008.

On 1 April 2008, the Secretary of State used nuclear transfer scheme powers under the Energy Act 2004 to transfer certain property, rights and liabilities of the Company to the NDA (including the remaining 51% shareholding the Company held in International Nuclear Services Limited (INS)) and from the Company to INS. On the same date, the Secretary of State used nuclear transfer scheme powers under the Energy Act 2004 to transfer certain property, rights and liabilities of the United Kingdom Atomic Energy Authority to the Company in respect of the management and operations of the Windscale site.

As a consequence of these changes, with effect from 1 April 2008, the Company entered into a new Site M&O Contract with the NDA in respect of the management and operations of the Sellafield (including Capenhurst and Calder Hall) and Windscale sites. The M&O contract was subsequently revised with effect from 24 November 2008.

The directors' aim is to operate the nuclear sites safely and earn a significant percentage of the available fee pool from the NDA.

**Research and development**

All research and development costs relate to the Company and are directly recoverable from the NDA, as explained in accounting policy note 1g.

**Policy and practice on payment of creditors**

The Company has continued its commitment to the Prompt Payers Code of Practice drawn up by the Confederation of British Industry (CBI), with rigorous monitoring of payment performance. Copies of the Code are available from CBI, Centre Point, 103 New Oxford Street, London, WC1A 1DU. Over the year 95% (2008: 95%) of invoices submitted against the standard payment terms of 30 days net monthly were paid on time.

# Directors' report *(continued)*

**Directors**

The directors who held office during the year were as follows:

Mr W G Poulson (Managing Director) (appointed 22 January 2009)

Dr G T Wright (appointed 24 November 2008)

Mr G D Beveridge (appointed 24 November 2008)

Ms F Williams (appointed 24 November 2008)

Mr P Foster (appointed 24 November 2008)

Mr P Grefenstette (appointed 24 November 2008, resigned 23 July 2009)

Mr D Becker (appointed 23 July 2009)

Lord Clark of Windermere

Sir Paul Lever

Rear Admiral T C Chittenden

Mr R Pedde (appointed 24 November 2008, resigned 22 January 2009)

Mr B Snelson (resigned 24 November 2008)

Mr J M Seddon (resigned 24 November 2008)

Mr D J Mason (resigned 24 November 2008)

Mr P R Lutwyche (resigned 24 November 2008)

Mr M D Parker (resigned 24 November 2008)

Mr J F Edwards (resigned 30 June 2008)

Mrs S Jee (appointed 1 July 2008, resigned 24 November 2008)

Mr D R Bonser (resigned 24 November 2008)

**Secretary**

Mr P J Holland (appointed 24 November 2008)

Ms S Quint (resigned 24 November 2008)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the Company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

**Directors' and officers' liability insurance**

Directors' and officers' liability insurance is provided, covering inter alia 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.

**Directors' Indemnities**

As at the date of this report, the Company entered into Deeds of Indemnity with each of the Directors. These indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006 (UK).

**Political and charitable contributions**

The Company made no political contributions during the year (2008: £nil). Donations to UK charities amounted to £2.6 million (2008: £2.6 million), which includes £1.9 million (2008: £1.7 million) to support West Cumbrian economic regeneration initiatives. The payments have been made under contract from the NDA.

# Directors' report *(continued)*

**Employees**

The Company attaches importance to the involvement of its employees in the Company's development and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. Employee representatives are consulted regularly on a wide range of matters affecting the current and future interests of the employees.

Employee involvement in the performance of the Company is encouraged through various bonus and remuneration schemes.

The Company is committed to a policy of equal opportunities for all employees. Great care is exercised in our recruitment and selection procedures to ensure that there is no discrimination and that training is given to meet individual needs. Applications by people with disabilities are given full and fair consideration and wherever practical, provision is made for their special needs. The same criteria for training and promotion apply to people with disabilities as to any other employee. If an employee becomes disabled, every effort is made to ensure their continued employment.

**Principal risks and uncertainties**

As discussed in notes 11 and 18, the Company uses forward foreign currency contracts and currency options to reduce foreign exchange rate exposure on certain assets, liabilities and firm commitments. The Company does not engage in speculative treasury arrangements, and all of its activities are designed to support underlying business activities. All treasury activities are carried out under policies approved by the Board. Following the change of ownership of the Company on 24 November 2008, Board policy has changed and foreign currency contracts and currency options will no longer be used.

Under the industry model, the Company does not have major working capital requirements because the vast majority of expenditure at the UK sites where the Company is the M&O contractor is funded by the NDA under defined contract terms. The Company's financial performance is driven by the performance against the NDA's performance-based initiatives (PBI's) and efficiency targets, which form the basis of fees earned under the M&O contracts. The Company's working capital requirements are provided by its parent company, NMP, and the shareholders of NMP (see note 17).

In the unlikely event that the NDA was no longer able to provide the funding for the Company to continue its waste management and decommissioning activities in compliance with the site licence conditions, the NDA would be required to purchase the Company for a nominal sum, thus reinforcing the NDA's responsibility for the underlying liabilities.

**Events since the balance sheet date**

On 6 April 2009, the Company reduced the issued share capital from 32,668,244 shares to 1 ordinary share of £1.

**Disclosure of information to auditors**

In accordance with Section 234A of the Companies Act 1985, each of the directors who held office at the date of approval of this report:

- is not aware of any relevant audit information of which the Company's auditors are unaware; and
- has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Annual General Meetings and Auditors**

In accordance with the requirements of the Companies Act 2006 the Company is not required to hold an Annual General Meeting or to re-appoint the Auditors on an annual basis.

By order of the board

P.J. Holland

**P J Holland**
*Secretary*

**Date:**

Booths Park
Chelford Road
Knutsford
Cheshire
WA16 8QZ

## Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SELLAFIELD LIMITED

We have audited the company's financial statements for the year ended 31 March 2009 which comprise the primary financial statements such as the Profit and Loss Account, the Balance Sheet, the Statement of Cash Flows and the Statement of Total Recognised Gains and Losses and the related notes 1 to 19. 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.

**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 2009 and of its loss for the year 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
London

22 October 2009

## Profit and loss account
***For the 12 months ended 31 March 2009***

| | Notes | 2009 £M | 2008 £M |
|---|---|---|---|
| Gross revenue including Site Licence Company costs under management | 2 | 1,300 | 1,252 |
| Less: Site Licence Company costs under management | | (1,281) | (1,217) |
| **Gross turnover** | 2 | 19 | 35 |
| Operating costs and expenses (excluding exceptional items) | 2 | (4) | (42) |
| Exceptional costs included within operating costs and expenses | 2 | (29) | - |
| Total operating costs and expenses | 2 | (33) | (42) |
| **Operating loss** | | (14) | (7) |
| **Loss before investment income, interest and taxation** | | (14) | (7) |
| **Loss on ordinary activities before taxation** | | (14) | (7) |
| Tax on loss on ordinary activities | 5 | 12 | 21 |
| **(Loss)/profit for the financial year** | | (2) | 14 |
| **(Loss)/profit transferred from/to reserves** | 12 | (2) | 14 |

Continuing operations in 2009 and 2008 include the fees earned from the NDA on the work undertaken by the Company.

All of the Company's operations in both 2009 and 2008 are continuing.

## Statement of total recognised gains and losses

| | 2009 £M | 2008 £M |
|---|---|---|
| (Loss)/profit for the financial year | (2) | 14 |
| Total gains and losses recognised in the financial year | (2) | 14 |
| Actuarial (loss)/gain recognised in the Group Pension Scheme (note 15) | (7) | 7 |
| Actuarial loss recognised in the Combined Nuclear Pension Plan (note 15) | (2) | - |
| Actuarial loss/(gain) to the benefit/detriment of the NDA | 9 | (7) |
| **Total gains and losses recognised since the last Annual Report and Accounts** | (2) | 14 |

# Balance sheet
***At 31 March 2009***

| | Note | | 2009 | | 2008 |
|---|---|---|---|---|---|
| | | £M | £M | £M | £M |
| **Fixed assets** | | | | | |
| Investments | 6 | | - | | - |
| **Current assets** | | | | | |
| Debtors: Amounts falling due within one year | 7 | 226 | | 239 | |
| Debtors: Amounts falling due after more than one year | 9 | 26 | | 14 | |
| Debtors | | 252 | | 253 | |
| Cash at bank | | 9 | | - | |
| | | 261 | | 253 | |
| **Creditors:** Amounts falling due within one year | 8 | (230) | | (239) | |
| **Net current assets** | | | 31 | | 14 |
| **Total assets less current liabilities** | | | 31 | | 14 |
| **Creditors: amounts falling due after more than one year** | 8 | | (32) | | (12) |
| **Net (liabilities)/assets excluding pension assets** | | | (1) | | 2 |
| **Defined benefit pension assets** | 15 | | 13 | | 12 |
| **Net assets** | | | 12 | | 14 |
| **Capital and reserves** | | | | | |
| Called up share capital | 10 | | 33 | | 33 |
| Profit and loss account deficit | 11 | | (21) | | (19) |
| **Shareholders' funds** | 12 | | 12 | | 14 |

These financial statements were approved by the board of directors on 22.10. 2009 and were signed on its behalf by:

*Director*

# Statement of cash flows

*for the year ended 31 March 2009*

| | 2009 £M | 2008 £M |
|---|---|---|
| **Net cash inflow from operating activities (note (a) below)** | 9 | - |
| **Taxation** | | |
| Corporation tax reimbursement | 10 | - |
| Tax reimbursement due to former parent undertaking | (10) | - |
| **Net cash outflow before management of liquid resources and financing** | 9 | - |
| **Increase in cash** | 9 | - |

| **Reconciliation of net cash flow to movements in net debt** | 2009 £M | 2008 £M |
|---|---|---|
| Increase in cash | 9 | - |
| Cash inflow from increase in loans | - | - |
| Change in net debt resulting in cash flows | 9 | - |
| Movement in net debt | 9 | - |
| Net debt at 1 April | - | - |
| Net cash at 31 March | 9 | - |

**Notes to Statement of cash flows**

| a) Reconciliation of operating profit to net inflow from operating activities | 2009 £M | 2008 £M |
|---|---|---|
| Operating loss | (14) | (7) |
| Exceptional item – benefit of deferred taxation asset due to NDA | 29 | - |
| Tax credit due from parent | - | 7 |
| Decrease/(increase) in debtors | 3 | (9) |
| (Decrease)/increase in creditors | (9) | 9 |
| Net cash inflow from operating activities | 9 | - |

b) Analysis of debt

| | At 1 April 2008 £M | Cash flow £M | At 31 March 2009 £M |
|---|---|---|---|
| Cash at bank and in hand | - | 9 | 9 |

# Notes

## 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

***a Accounting convention***

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

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking.

***b Fixed assets and depreciation***

The Company does not own any fixed assets. Under the Energy Act 2004, all assets previously owned by the Company were transferred on 1 April 2005, with the majority being transferred to the NDA. The Company utilises the NDA's assets as provided for within the Management and Operations (M&O) contracts between the NDA and the Company.

***c Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction (or, if hedged forward, at the rate of exchange under the related forward currency contract). Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

***d Turnover***

Turnover, which is stated net of value added tax, represents the net fees earned on the M&O contracts between the Company and the NDA.

***e Leases***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease, and are recoverable from the NDA under the terms of the M&O contracts.

***f Post-retirement benefits***

The Company provides pension schemes for the benefit of all 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 Combined Nuclear Pension Plan (CNPP), Group Pension Scheme (GPS) and the Electricity Supply Pension Scheme. The Combined Pension Scheme is accounted for as a defined contribution scheme, contributions are paid to and benefits are paid by Her Majesty's Government via the Consolidated Fund.

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

For those schemes with separately administered funds the assets are measured using market values whilst the liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

## Notes *(continued)*

## 1 Accounting Policies (continued)

***f Post-retirement benefits** (continued)*

During the year the Company has accounted for the GPS on a defined benefit basis. On 31 March 2007, the GPS was sectionalised. The pension deficit identified in respect of the Company was recognised on the balance sheet at 31 March 2007 and has been accounted for on a defined benefit basis from this date.

During the year the Company has also accounted for the CNPP on a defined benefit basis.

The surplus (to the extent that it is recoverable), or deficit, on both the GPS and CNPP are recognised in full with a corresponding asset or liability to the NDA for the full value of the deficit/surplus. The movements in the CNPP and GPS surplus/deficit after taking account of any amounts falling due/from the NDA are split between operating charges, finance items and, actuarial gains and losses within the Statement of Total Recognised Gains and Losses.

The Company is unable to identify its share of the underlying assets and liabilities of the Electricity Supply Pension Scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period and are directly recoverable from the NDA under the terms of the M&O contracts.

***g Research and development expenditure***

Research and development costs are directly recoverable from the NDA.

***h Stocks***

Stocks and work in progress were transferred to the NDA with effect from 1 April 2005 under the Energy Act 2004. Raw material and consumable costs are directly recoverable from the NDA under the terms of the M&O contracts.

***i Nuclear liabilities***

The Company's accounts historically included provisions for the Company's obligations in respect of nuclear liabilities, being liabilities in respect of the costs associated with nuclear decommissioning, waste management, and reprocessing of fuel from reactors. Following the restructuring under the Energy Act 2004, on 1 April 2005 the nuclear assets and liabilities on the Company's sites transferred to the NDA, which now has full financial responsibility for discharging the nuclear liabilities on these sites.

***j Fixed asset investments***

Fixed asset investments comprise investments in and loans to subsidiaries, associated undertakings and joint ventures. The carrying values of investments are reviewed for impairment if events or changes in circumstance indicate that a provision for impairment is required.

***k Taxation***

The charge for taxation is based on the profit/loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, with the following exceptions:

- Deferred taxation assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing difference can be deducted.

***l Derivatives and commodity contracts***

The Company has used forward foreign currency contracts and currency options to reduce foreign exchange rate exposure on certain assets, liabilities and firm commitments. These are accounted for as hedges, with gains and losses being recognised when the hedged transaction takes place.

## Notes *(continued)*

## 2 Revenue, net operating costs and expenses

During the years ended 31 March 2009 and 2008 the Company managed sites funded by the NDA as a Site Licence Company.

| | **Year ended 31 March 2009** | Year Ended 31 March 2008 |
|---|---|---|
| | **£M** | £M |
| **Other operating costs** | | |
| Disallowable costs | **1** | - |
| Taxation credit due to NDA | **1** | - |
| Management fee paid to BNG | **2** | 35 |
| Executive severance costs | **8** | - |
| **Other operating income** | | |
| Reimbursement from BNG for Executive severance costs | **(8)** | - |
| Taxation credit due to BNG | **-** | 7 |
| **Operating costs and expenses (excluding exceptional items)** | **4** | 42 |
| **Exceptional items:** | | |
| Benefit of deferred taxation asset due to NDA | **29** | - |
| Reimbursement from BNG for disallowable costs in excess of the Annual Site Funding Limit | **-** | (34) |
| Disallowable costs in excess of the Annual Site Funding Limit | **-** | 34 |
| | **33** | 42 |

Under the agreements between the Company and the NDA, no fees were payable for the period 1 April to 24 November 2008. The Company earned fee income of £17M in the period 24 November 2008 to 31 March 2009. Further fee income of £2 million was recorded in the accounts relating to the final agreement of fees for the year ended 31 March 2008. As a result, a management fee of £2 million was paid to BNG.

**Exceptional items**

Under the revised M&O contract between the NDA and the Company, the NDA benefits when the deferred tax assets and in particular, tax losses carried forward as at 24 November 2008 are utilised by the Company against future taxable profits. As a result, when the revised M&O contract came into effect on 24 November 2008, it was necessary to reflect an NDA creditor equal to the deferred tax asset.

In accordance with the previous contract between NDA, the Company and BNG, where costs were incurred in excess of the NDA's Annual Site Funding Limit (ASFL) in the year ended 31 March 2008, those costs were classified as disallowable and BNG was required to reimburse them to NDA. Following extensive discussions between the NDA, the Company and BNG during the year ended 31 March 2008, in recognition of the need to deliver on certain commitments and activities on the Sellafield site and prepare the Company for new ownership as part of the competition process being run by the NDA, it was agreed that the Company would incur certain items of expenditure in excess of the ASFL and, in accordance with the contract, these costs were reimbursed by BNG.

**Geographical Segment Analysis**

In both 2009 and 2008, all turnover relates to the operation of M&O contracts in the UK.

## Notes *(continued)*

## 2 Revenue, net operating costs and expenses *(continued)*

**Auditors' remuneration**

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Audit | **154** | 184 |
| Taxation services | **95** | - |
| Other services - fees receivable by the auditors and their associates | **26** | 28 |
| | **275** | 212 |

Under the M&O contracts, the above audit fees have been reimbursed by the NDA.

## 3 Remuneration of directors

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Directors' emoluments | **1,771** | 1,116 |
| Compensation for loss of office | **4,165** | - |
| | **5,936** | 1,116 |

M D Parker, J F Edwards, S Jee and D R Bonser were employees of British Nuclear Fuels plc, and their remuneration was met by and disclosed in the financial statements of that company. Their costs were not recharged to the Company.

Messrs Poulson, Pedde, Wright, Beveridge, Foster and Grefenstette and Ms Williams are seconded to the Company from NMP. They are employees of the shareholding companies of NMP (see note 17), and seconded to NMP. The Company receives a charge from its parent for their services, which in 2008/09 totalled £1,057,223 (2008: £nil). This amount is included in the table above.

Under the M&O contracts the above directors' costs and the costs of directors seconded from NMP are reimbursed by the NDA as allowable costs, and are not included within the operating costs and expenses within note 2.

The costs associated with compensation for loss of office payable to former directors (see table above) and the severance costs of other senior managers of the Company were approved by and met by BNG, and are included within the operating costs and expenses within note 2.

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £2,100,000 (2008: £378,000), including compensation for loss of office payments of £1,859,000.

| | Number of directors | |
|---|---|---|
| | **2009** | 2008 |
| Retirement benefits are accruing to the following number of directors under: | | |
| Defined benefit schemes | **4** | 4 |

## Notes *(continued)*

### 3 Remuneration of directors *(continued)*

**Pensions**

From 24 November 2008, the highest paid director was an active member of the Combined Nuclear Pension Plan (CNPP). Prior to this date, he was an active member of the Combined Pension Scheme (CPS). Both schemes pay an annual pension of one-eightieth plus three-eightieths lump sum of final pensionable pay for each year of service. Employer contributions of £55,809 have been made to these schemes during the year (2008: £35,775). Details of the pension benefits for the highest paid director are as follows:

| | **2009** | 2008 |
|---|---|---|
| | **£** | £ |
| Accrued pension benefits | **92,062** | 80,181 |
| Accumulated lump sum | **276,186** | 240,542 |
| Transfer value | **2,213,395** | 1,443,538 |

The transfer value represents a potential liability of the pension schemes and is not a sum paid or payable to the highest paid director.

### 4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period was as follows:

| | **Number of employees** | |
|---|---|---|
| | **Year Ended 31 March 2009** | Year Ended 31 March 2008 |
| Average number of employees | **9,738** | 9,565 |

The aggregate payroll costs of these persons were as follows:

| | **2009** | 2008 |
|---|---|---|
| | **£M** | £M |
| Wages and salaries | **415** | 386 |
| Social security costs | **37** | 33 |
| Other pension costs | **66** | 52 |
| | **518** | 471 |

Pension costs disclosed above include FRS 17 current and past service costs (note 15) charged to the profit and loss account together with contributions paid to defined contribution schemes. All contributions paid are included in site licence costs under management and are recovered from the NDA on a paid basis. Amounts relating to FRS 17 charges are included in the profit and loss account together with offsetting amounts reflecting the fact that any overall pension surplus or deficit is for the benefit of/to be funded by the NDA.

The above employee costs include Directors' costs. Under the M&O contracts the above employee costs are reimbursed by the NDA, and are not included within the operating costs and expenses within note 2.

The above costs exclude Executive severance costs, which are reimbursed from BNG, and are shown within the operating costs and expenses in note 2.

## Notes *(continued)*

## 5 Taxation

*Analysis of taxation credit in the period*

| | **Year Ended 31 March 2009** | Year Ended 31 March 2008 |
|---|---|---|
| | **£M** | £M |
| *UK corporation tax* | | |
| Current tax on income for the period | **-** | (6) |
| Adjustments in respect of prior periods | **-** | (1) |
| Total current taxation credit | **-** | (7) |
| Deferred taxation in respect of taxable losses carried forward and other timing differences for the period | **(7)** | (5) |
| Deferred taxation – adjustment in respect of prior periods | **(5)** | (9) |
| **Taxation credit** | **(12)** | (21) |

*Factors affecting the tax credit for the current period*

The current tax credit for the period is £4 million less *(2008: £5 million less)* than the standard rate of corporation tax in the UK (28%, *2008: 30%*). The differences are explained below.

| | **Year Ended 31 March 2009** | Year Ended 31 March 2008 |
|---|---|---|
| | **£M** | £M |
| *Current tax reconciliation* | | |
| Loss on ordinary activities before tax | **(14)** | (7) |
| Current tax at 28% *(2008: 30%)* | **(4)** | (2) |
| *Effects of:* | | |
| Permanent differences | **(3)** | (10) |
| Other timing differences | **(3)** | (3) |
| Unrelieved tax losses carried forward | **10** | 9 |
| Adjustments to tax charge in respect of previous periods | **-** | (1) |
| Total current tax credit | **-** | (7) |

**Factors affecting the future tax charge**

As set out in note 2, under the revised M&O contract, deferred tax assets that arose prior to the acquisition of the company by NMP on 24 November 2008 are to the benefit of the NDA. This gave rise to an exceptional cost in the year ended 31 March 2009. As a result there is a creditor due to the NDA which includes an amount equivalent to the deferred tax asset recorded on that date.

The tax losses and other timing differences that give rise to the deferred tax asset that is attributable to the NDA, together with other tax losses arising after 24 November 2008, will be available for offset against future taxable profits thereby resulting in a lower overall current tax charge in future years. Their utilisation will result in amounts payable to the NDA, calculated under the terms of the M&O contract, thereby reducing the creditor to them.

## Notes *(continued)*

## 6 Fixed asset investments

Subsidiary undertakings

| | Shares at cost | Amount provided | Total |
|---|---|---|---|
| | £M | £M | £M |
| At 1 April 2008 | 73 | (73) | - |
| Disposals during the year | (73) | 73 | - |
| At 31 March 2009 | - | - | - |

With effect from 1 April 2005 the Company no longer received the economic benefit or associated risk from the investments in subsidiary undertakings. Consequently, the investments were 100% impaired as any returns and proceeds from disposing of the investments are remitted to the NDA.

On 1 April 2008, the Secretary of State used nuclear transfer scheme powers under the Energy Act 2004 to transfer the remaining 51% shareholding in International Nuclear Services Limited (INS) from the Company to the NDA. The transfer was made to the NDA for £1, giving rise to a profit on disposal of £1.

Fellside Heat and Power Limited, a non-trading subsidiary of the Company was formally dissolved on 20 January 2009.

## 7 Debtors: amounts falling due within one year

| | 2009 | 2008 |
|---|---|---|
| | £M | £M |
| Company's fees and working capital recoverable from the NDA | 222 | 201 |
| Corporation tax | - | 10 |
| Amounts owed by Group undertakings | - | 2 |
| Amounts owed by Parent undertaking | - | 26 |
| Other debtors | 4 | - |
| | 226 | 239 |

At 31 March 2009, Other debtors are the amounts owed by the previous Parent undertaking in respect of former Executive and director severance costs.

## Notes *(continued)*

## 8 Creditors

| **Creditors: amounts falling due within one year** | **2009** | 2008 |
|---|---|---|
| | **£M** | £M |
| Trade creditors | **27** | 22 |
| Amounts owed to Parent undertaking | **3** | 15 |
| Amounts owed to other Group undertakings | **-** | 3 |
| Amounts owed to other related parties (see note 16) | **12** | - |
| Other taxes and social security costs | **26** | 29 |
| Accruals and deferred income | **151** | 164 |
| Other creditors | **11** | 6 |
| | **230** | 239 |

| **Creditors: amounts falling due after more than one year** | | |
|---|---|---|
| Other creditors | **19** | - |
| Pension assets to the benefit of NDA (see note 15) | **13** | 12 |
| | **32** | 12 |

Other creditors include the NDA's beneficial interest in the deferred tax asset.

## 9 Deferred taxation

| | **2009** | 2008 |
|---|---|---|
| | **£M** | £M |
| Corporation tax losses carried forward | **23** | 8 |
| Other timing differences | **3** | 6 |
| Deferred taxation asset | **26** | 14 |

The movement on deferred taxation is as follows:

| | **£M** |
|---|---|
| Balance at 1 April 2008 | **14** |
| Movements in the year: | |
| Corporation tax losses | **10** |
| Other timing differences | **(3)** |
| Prior period adjustments | **5** |
| **Balance at 31 March 2009** | **26** |

The Company continues to account for deferred taxation on a basis consistent with prior periods.

At 31 March 2009 the Company has gross Corporation tax losses carried forward of £82 million, plus other timing differences of £10 million gross related to spreading of pension payments from an earlier period, which at a tax rate of 28% equates to a deferred tax asset of £26 million. The movements in the year give rise to a deferred tax credit in the profit and loss account of £12 million.

The deferred tax asset of £26 million arises wholly in the UK, and is recognised on the basis that the Company expects there to be future taxable profits from which the taxable losses and reversal of timing differences can be deducted. The Company has no unrecognised deferred taxation assets or liabilities at 31 March 2009 (31 March 2008: £nil).

## Notes *(continued)*

## 10 Called up share capital

| | 2009 | 2008 |
|---|---|---|
| | **£M** | **£M** |
| ***Authorised*** | | |
| 43,000,000 Ordinary shares of £1 each | **43** | 43 |
| ***Allotted, called up and fully paid*** | | |
| 32,668,244 Ordinary shares of £1 each | **33** | 33 |

On 6 April 2009 the Company reduced its issued share capital from 32,668,244 ordinary shares to 1 ordinary share of £1.

## 11 Profit and loss account deficit

| | Profit and loss account £M |
|---|---|
| At 1 April 2008 | **(19)** |
| Loss for the financial year | **(2)** |
| At 31 March 2009 | **(21)** |

On 6 April 2009 the Company reduced its issued share capital from 32,668,244 ordinary shares to 1 ordinary share of £1. As a result, the Profit and loss account reserve moved from a deficit of £21 million to a positive balance of £12 million.

An interim dividend of £11,475,999 was declared on 21 May 2009 and paid to the shareholder on 28 May 2009. A final dividend of £1,159,000 was declared on 23 July 2009 (2008: £nil) and paid to the shareholder on 30 July 2009. Interim dividends for the year ending 31 March 2010 of £1,200,000 and £3,200,000 were declared on 23 July 2009 and 14 September 2009 respectively, and paid to the shareholder on 30 July 2009 and 17 September 2009

## 12 Reconciliation of movements in shareholders' funds

| | 2009 £M | 2008 £M |
|---|---|---|
| (Loss)/profit for the financial year | **(2)** | 14 |
| Actuarial (losses)/gains on pension schemes | **(9)** | 7 |
| Actuarial losses/(gains) to the benefit of the NDA | **9** | (7) |
| **Net (decrease)/increase in shareholders' funds** | **(2)** | 14 |
| Opening shareholders' funds | **14** | - |
| **Closing shareholders' funds** | **12** | 14 |

## Notes *(continued)*

## 13 Contingent liabilities

At 31 March 2009, the Company had contingent liabilities incurred in the ordinary course of business arising out of guarantees and other transactions in respect of which, in the opinion of the Directors, no material losses are expected to arise. Any liabilities that did arise on such guarantees would be recovered from the NDA under the M&O contracts.

## 14 Commitments

(a) There are no capital commitments at the end of the financial year (2008: £nil).

(b) Annual commitments under non-cancellable operating leases are as follows:

| | **Land & buildings** | | **Other** | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **£M** | £M | **£M** | £M |
| Operating leases which expire: | | | | |
| Within one year | **2** | - | **1** | - |
| In the second to fifth years inclusive | **-** | - | **1** | 1 |
| | **2** | - | **2** | 1 |

Operating lease costs in the year were as follows:

| | **2009** | 2008 |
|---|---|---|
| | **£M** | £M |
| Land & buildings | **2** | - |
| Other | **2** | 1 |
| Total | **4** | 1 |

Under the M&O contracts, operating lease rentals are reimbursed by the NDA.

## Notes *(continued)*

## 15 Pension schemes

***Schemes accounted for as defined contribution***

**Electricity Supply Pension Scheme (ESPS)**

On 31 March 2007, the ESPS was sectionalised 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. Consequently, the scheme has been accounted for as if the scheme was a defined contribution scheme. The pension charge for the period represents contributions payable by the Company to the ESPS, which are directly recoverable from the NDA and amounted to £113,568 (2008: £87,000).

There were no outstanding or prepaid contributions at 31 March 2009 (2008: £nil).

The ESPS is a funded, defined benefit scheme. At 31 March 2009 the Company had 12 employees who were active members of the ESPS, which has approximately 3,500 active members. The most recent triennial actuarial valuation of the scheme by a qualified independent actuary took place at 31 March 2007. The projected unit method was used. The results of the valuation were market value of scheme assets of £1,636.4M, which represented a 95% level of funding. As a result of the valuation, employer contributions were increased to 21.4% with effect from 31 March 2007.

The latest actuarial valuation has been updated by a qualified independent actuary to 31 March 2009 on a basis consistent with FRS 17. The results of this valuation are a total fair value of scheme assets of £1,615M and a surplus of £36M.

Detailed FRS 17 disclosures in relation to the ESPS are included in the Magnox North Limited statutory accounts for the year ended 31 March 2009, which can be obtained from the registered office, Berkeley Centre, Berkeley, Gloucestershire, GL13 9PB.

**Combined Pension Scheme (CPS)**

The CPS is a multi-employer scheme which provides defined benefits to its members. In common with other unfunded public sector schemes the CPS does not have the attributes of typical private sector pension schemes. Any surplus of contributions made in excess of benefits paid out in any year is surrendered to the Consolidated Fund and any liabilities are met from the Consolidated Fund via the annual Parliamentary vote. Her Majesty's Government does not maintain a separate fund.

Prior to 1 April 2006 the scheme valuations were based on a theoretical calculation as to how a typical UK pension scheme would have invested the historical surplus of contributions over payments. In the year ended 31 March 2006, the BNFL group disclosed the FRS 17 valuation of the scheme which was based on a theoretical calculation to derive notional assets and a notional surplus. This surplus was not recognised at 31 March 2006 in accordance with FRS 17 due to the notional nature of the assets supporting the scheme and the fact that the BNFL group had no rights to the surplus other than as allowed by the scheme managers.

On 1 April 2006 the funding arrangements for the scheme changed. Employer contributions are now set using the SCAPE (Superannuation Contributions Adjusted for Past Experience) methodology. Under this methodology the notional assets are no longer deemed to exist, the accrued liabilities at 1 April 2006 were deemed to be secured and no notional surplus or deficit was ascribed to the Company at that date. Future employer contributions have been adjusted to reflect the liability experience after 1 April 2006. The Company had a continuing obligation to the CPS to pay contribution rates for active members specified by the actuary in the periodic valuation reports.

The CPS is accounted for as a defined contribution scheme. The pension charge for the period represents contributions payable by the Company to the CPS, which are directly recoverable from the NDA and amounted to £32,053,546 (2008: £46,556,000). There were outstanding employer contributions of £nil at 31 March 2009 (2008: £3,771,000), which are directly recoverable from the NDA.

Following the transfer of ownership of the Company to NMP on 24 November 2008, the future pensionable service of employees who were members of the CPS is met from the Combined Nuclear Pension Plan (CNPP). Pensionable service up to 24 November 2008 will be met from the CPS. The Company has no ongoing obligation to make contributions to the CPS.

## Notes *(continued)*

## 15 Pension schemes *(continued)*

***Schemes accounted for as defined benefit***

**Group Pension Scheme**

The Group Pension Scheme (GPS) is a funded scheme. The Company and other participating employers contribute to the GPS at rates recommended by the GPS's professionally qualified actuaries. Rates ranged from 14.0% to 14.9% in the year ended 31 March 2009.

On 31 March 2007, the GPS was sectionalised into various sections. Following the sectionalisation, these financial statements reflect the Company's share of the FRS 17 assets and liabilities at 31 March 2009 and 31 March 2008 respectively. Of the active members within the section of the GPS relating to the Site Licence Companies (SLC section), the majority are employed by the Company. Consequently, the entire section has been reflected in these accounts.

Following the transfer of ownership of the Company to NMP on 24 November 2008, there was no change to the pension arrangements of those employees who are members of the GPS. The NDA has the role of principal employer in respect of the GPS.

A full actuarial valuation for the SLC section was carried out at 31 March 2007 and updated to 31 March 2009 and 31 March 2008 respectively by a qualified independent actuary.

**Combined Nuclear Pension Plan (CNPP)**

Following the transfer of ownership of the Company to NMP on 24 November 2008, the future pensionable service of employees who were active members of the CPS will be met from the Combined Nuclear Pension Plan (CNPP).

The CNPP has separately administered funds and with effect from 24 November 2008 has been funded by contributions partly from employees and partly from the Company. The benefits are identical to the CPS. The Company contributes to the CNPP at rates recommended by the CNPP's professionally qualified actuaries. The employer contribution rate was 23.2% in the year ended 31 March 2009. The principal employer for the CNPP is the NDA.

The CNPP is sectionalised into various sections, and there is a specific section for the Company. These financial statements reflect the Company's share of the FRS 17 assets and liabilities at 31 March 2009.

An FRS17 actuarial valuation for the Sellafield section was carried out at 31 March 2009 by a qualified independent actuary.

New employees joining the Company after 24 November 2008 are eligible to join a defined contribution section of the CNPP. This scheme is funded by contributions from both the employees and the Company. The Company contributes at rates ranging from 8% to 13.5% depending on the level of contributions chosen by each individual employee.

## Notes *(continued)*

## 15 Pension schemes *(continued)*

**Group Pension Scheme**

The Company operates a defined benefit scheme for its employees in the UK. The scheme was formally sectionalised with effect from 31 March 2007. A full actuarial valuation was carried out at 31 March 2007 and updated to March 2009 by a qualified independent actuary.

| | At year end 31/03/2009 £000s | At year end 31/03/2008 £000s |
|---|---|---|
| **Amounts recognised in balance sheet** | | |
| Present value of funded obligations | (232,653) | (248,608) |
| Fair value of scheme assets | 237,686 | 260,715 |
| Defined benefit pension scheme surplus | 5,033 | 12,107 |

| | At year end 31/03/2009 £000s | At year end 31/03/2008 £000s |
|---|---|---|
| **Change in benefit obligation** | | |
| Benefit obligation at the beginning of period | (248,608) | (243,141) |
| Current service cost | (8,668) | (8,540) |
| Interest cost | (15,104) | (12,851) |
| Employee contributions | (1,792) | (1,618) |
| Past service costs | (308) | (571) |
| Actuarial gains/(losses) | 37,837 | 16,034 |
| Benefits paid | 3,990 | 2,079 |
| Benefit obligation at the end of period | (232,653) | (248,608) |
| | | |
| **Change in plan assets** | | |
| Fair value of plan assets at the beginning of period | 260,715 | 218,060 |
| Employer contributions | 8,142 | 39,423 |
| Employee contributions | 1,792 | 1,618 |
| Benefits paid | (3,990) | (2,079) |
| Expected return on plan assets | 16,353 | 13,120 |
| Actuarial (losses)/gains | (45,326) | (9,427) |
| Fair value of plan assets at the end of period | 237,686 | 260,715 |

| | At year end 31/03/2009 £000s | At year end 31/03/2008 £000s |
|---|---|---|
| **Components of pension cost** | | |
| Current service cost | (8,668) | (8,540) |
| Interest cost | (15,104) | (12,851) |
| Expected return on plan assets | 16,353 | 13,120 |
| Past service costs | (308) | (571) |
| Total pension cost recognised in the P&L account | ( 7,727) | ( 8,842) |
| | | |
| Actuarial (losses)/gains | (7,489) | 6,607 |
| Total pension cost recognised in the STRGL | (7,489) | 6,607 |

The interest cost and expected return on plan assets are reimbursed by the NDA under the M&O contract.

## Notes *(continued)*

## 15 Pension schemes *(continued)*

**Group Pension Scheme** (Continued)

The asset allocation and expected rates of return at the end of year were as follows:

| Asset category | | Scheme assets 31-Mar-09 | | Scheme assets 31-Mar-08 | Scheme assets 31-Mar-07 |
|---|---|---|---|---|---|
| Equities | 7.40% | 108,370 | 7.00% | 123,387 | 110,537 |
| Gilts | 4.40% | 91,185 | 4.60% | 50,167 | 77,992 |
| Other | 6.70% | 38,131 | 6.00% | 87,161 | 29,531 |
| | | 237,686 | | 260,715 | 218,060 |

| | Year to 31-Mar-09 £000s | Year to 31-Mar-08 £000s |
|---|---|---|
| Actual return on plan assets | (28,973) | 3,693 |

| **Weighted average assumptions used to determine benefit obligations at:** | **31-Mar-09** | **31-Mar-08** | **31-Mar-07** |
|---|---|---|---|
| Discount rate | 6.70% | 6.00% | 5.20% |
| Rate of salary increase | 5.40% | 5.60% | 5.10% |
| Rate of price inflation | 3.40% | 3.60% | 3.10% |
| Rate of increase of pensions in payment | 3.40% | 3.60% | 3.10% |
| Rate of increase in deferred pensions | 3.40% | 3.60% | 3.10% |
| Life expectancy for a male pensioner aged 65 (in years) | 22.0 | 22.0 | 21.9 |
| Life expectancy for a male non pensioner currently aged 48 from age 65 (in years) | 23.0 | 22.9 | 22.9 |

| **History of the net surplus/(deficit) of the scheme** | **Financial year ending in** | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| Benefit obligation at the end of year | (232,653) | (248,608) | (243,141) |
| Fair value of plan assets at end of year | 237,686 | 260,715 | 218,060 |
| Surplus/(deficit) | 5,033 | 12,107 | (25,081) |

| **History of experience of gains and losses** | **Financial year ending in** | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| Difference between expected and actual return on scheme assets: Amount (£000s) | (45,326) | (9,427) | – |
| Percentage of scheme assets | 19% | 4% | – |
| Experience gains and losses on scheme liabilities: Amount (£000s) | – | 58 | – |
| Percentage of scheme liabilites | 0% | 0% | – |
| Total actuarial (loss)/gain Amount (£000s) | (7,489) | 6,607 | – |
| Percentage of scheme liabilites | -3% | 3% | – |

**Contributions**

The SLC section employers expect to contribute 20% of pensionable pay to the scheme in the year beginning 1 April 2009. These are the contributions agreed as part of the actuarial valuation of the scheme as at 31 March 2007.

## Notes *(continued)*

## 15 Pension schemes *(continued)*

**Combined Nuclear Pension Plan**

Those Sellafield Limited employees who were members of the CPS, were transferred into the CNPP on 24 November 2008. The company operates a defined benefit pension scheme for its employees in the UK. The FRS17 actuarial valuation at 31 March 2009 was carried out by a qualified independent actuary.

| | |
|---|---|
| | **At year-end** |
| | **31/03/2009** |
| **Amounts recognised in balance sheet** | **£000s** |
| Presnt value of funded obligations | (23,842) |
| Fair value for scheme assets | 32,255 |
| Defined benefit pension scheme surplus | 8,413 |
| | **At year-end** |
| | **31/03/2009** |
| **Change in benefit obligation** | **£000s** |
| Benefit obligation at the beginning of period | - |
| Current service cost | (15,815) |
| Interest cost | (259) |
| Employee contributions | (5,888) |
| Actuarial gains/(losses) | (1,138) |
| Benefits paid | 120 |
| Curtailments | (862) |
| Benefit obligation at period end | (23,842) |
| | |
| **Change in plan assets** | |
| Fair value of plan assets at beginning of period | - |
| Employer contributions | 27,077 |
| Employee contributions | 5,888 |
| Benefits paid | (120) |
| Expected return on plan assets | 359 |
| Actuarial gains/(losses) | (949) |
| Fair value of plan assets at end of period | |
| | 32,255 |
| | **At year end** |
| **Components of pension cost** | **31/03/2009** |
| | **£000s** |
| Current service cost | (15,815) |
| Interest cost | (259) |
| Expected return - interest cost on plan assets | 359 |
| Curtailments | (862) |
| Total pension cost recognised in the P&L account | (16,577) |
| Actuarial losses | (2,087) |
| Total pension cost recognised in the STRGL | (2,087) |

The interest cost and expected return on plan assets are reimbursed by the NDA under the M&O contract.

## Notes *(continued)*

## 15 Pension schemes *(continued)*

**Combined Nuclear Pension Plan** (Continued)

**Plan assets**

The asset allocation and expected rates of return at the year-end were as follows:

| **Asset category** | | **Scheme assets 31-Mar-09** |
|---|---|---|
| Equities | 6.75% | 22,414 |
| Gilts | 4.75% | 9,613 |
| Other | 2.00% | 228 |
| | | 32,255 |

| | **At year-end 31/03/2009 £000s** |
|---|---|
| Actual return on plan assets | (590) |

| **Weighted average assumptions used to determine benefit obligations at:** | **31-Mar-09** |
|---|---|
| Discount rate | 6.50% |
| Rate of salary increase | 3.50% |
| Rate of price inflation | 3.00% |
| Rate of increase of pensions in payment | 3.00% |
| Rate of increase in deferred pensions | 3.00% |
| Life expectancy for a male pensioner aged 65 (in years) | 21.0 |
| Life expectancy for a male non-pensioner aged 45 from age of 65 (in years) | 22.2 |

| **History of net surplus of the scheme** | **Financial year ending in 2009** |
|---|---|
| Benefit obligation at end of year | (23,842) |
| Fair value of plan assets at end of year | 32,255 |
| Surplus | 8,413 |

| **History of experience of gains and losses** | **Financial year ending in 2009** |
|---|---|
| Difference between expected and actual return on scheme assets: | |
| amount (£000s) | (949) |
| percentage of scheme assets | (3%) |
| Experience gains and losses on scheme liabilities | |
| amount (£000s) | - |
| percentage of scheme liabilities | - |
| Total actuarial gain (loss): | |
| amount (£000s) | (2,087) |
| percentage of scheme liabilities | (9%) |

**Contributions**

The SLC Section employers expect to contribute 23.2% of pensionable pay to the scheme in the year beginning 1 April 2009 These are the contributions recommended by the actuary prior to the start of the Sellafield Limited section of the scheme.

## Notes *(continued)*

## 16 Related party disclosures

During the year the Company paid management charges of £2 million to British Nuclear Group Limited (BNG), which was the Company's parent undertaking until 24 November 2008. During the year, the Company received £8 million from BNG in respect of the severance costs of former directors and senior managers, of which £4 million was outstanding at 31 March 2009.

During the year the Company entered into transactions in the ordinary course of business with other entities within the British Nuclear Fuels plc group. These transactions included purchases of £41,612,000. At 31 March 2009, the Company was owed £6,428,000 in respect of these transactions.

During the period 24 November 2008 to 31 March 2009 the Company accrued costs of £3,211,000 from its parent company, Nuclear Management Partners Limited, in respect of the cost of directors and senior managers seconded from NMP to the Company. These costs were owed to NMP at 31 March 2009. There were no transactions between the Company and NMP prior to this.

The NDA, Washington International Holdings Limited, Amec Nuclear Holdings Limited and Areva-NC are considered to be related parties of the Company. Other related parties include the shareholders of NMP, Washington International Holdings Limited, Amec Nuclear Holdings Limited and Areva-NC, as discussed in note 17, and other entities within their groups. During the year ended 31 March 2009 the Company entered into transactions in the ordinary course of business with these other related parties resulting in purchases of £51,126,000. At 31 March 2009 the Company owed £11,930,000 to other related parties in respect of these transactions.

Sales and purchases between related parties are made on arms length terms. Outstanding balances with entities are unsecured, interest free and the standard payment terms of 30 days net monthly apply. During the year ended 31 March 2009 the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2008: £nil).

During the year the Company earned fees of £19 million on M&O contracts with the NDA (2008: £35 million) and incurred costs of £1,281 million (2008: £1,217 million). These costs were reimbursed by the NDA under the terms of the M&O contracts. At 31 March 2009 the Company had debtors of £222 million with the NDA in respect of fees and working capital recoverable under the M&O contracts (2008: £201 million).

## 17 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company was a subsidiary undertaking of British Nuclear Group Limited, a company registered and incorporated in England and Wales, until 24 November 2008. The ultimate parent undertaking was British Nuclear Fuels plc. The consolidated financial statements of British Nuclear Fuels plc are available to the public and may be obtained from 1100 Daresbury Park, Daresbury, Warrington, WA4 4GB.

Until 24 November 2008, the ultimate controlling party of the Company was considered by the Directors to be Her Majesty's Government. Undertakings under common control of the Government were the Nuclear Decommissioning Authority (NDA), the Ministry of Defence (MoD), and the UK Atomic Energy Authority (UKAEA).

On 24 November 2008, 100% of the shares of the Company were transferred to Nuclear Management Partners Limited, a company registered and incorporated in England and Wales, which is itself owned by Washington International Holdings Limited (44%), Amec Nuclear Holdings Limited (36%) and Areva-NC (20%). The financial statements of Nuclear Management Partners Limited are available to the public and may be obtained from Booths Park, Chelford Road, Knutsford, Cheshire WA16 8QZ.

Since 24 November 2008, Nuclear Management Partners Limited is considered to exert significant influence over the financial and operating policies of Sellafield Limited. The management team of Sellafield Limited retains "controlling mind" responsibilities for safety, security and environmental issues related to the nuclear licensed sites operated by the company. Under the terms of the contract between the company and the NDA, the NDA has certain rights of approval over the financial and operating policies of Sellafield Limited.

## Notes *(continued)*

## 18 Derivatives and other financial instruments

As explained in note 1(l), the Company has used derivatives and other financial instruments in managing the risk associated with its business. The Company does not engage in speculative treasury arrangements, and all of its activities are designed to support underlying business activities. All treasury activities are carried out under policies approved by the Board. Following the change of ownership of the Company on 24 November 2008, Board policy has changed and foreign currency contracts and currency options will no longer be used.

The following numerical analysis gives an indication of the significance of these instruments to the Company.

**Fair value of derivatives and other financial instruments**

Set out below are the fair values of the Company's derivatives and other financial instruments (excluding short-term debtors and creditors), which were entered into prior to 24 November 2008. Fair values have been based on published market prices (for listed instruments) or estimates made from discounted cash flow analysis (for unlisted instruments).

| | | **Fair values** |
|---|---|---|
| | **2009** | 2008 |
| | **£M** | £M |
| **Derivatives** | | |
| Foreign exchange forward contracts | **15** | 1 |

**Working capital**

Under the industry model, the Company does not have major working capital requirements because the vast majority of expenditure at the UK sites where the Company is the M&O contractor is funded by the NDA under defined contract terms. The Company's working capital requirements are provided by its parent company, NMP, and the shareholders of NMP (see note 17), through an approved working capital facility of £20 million. The facility entitles the Company to withdraw funds of up to £20 million to allow the Company to fulfil its obligations under the M&O contract. The Company made regular use of the facility during the financial year, however at 31 March 2009, the Company had repaid all funds drawn-down from the facility and had a £nil balance owing to NMP.

## 19 Post Balance Sheet Events

On 6 April 2009 the Company reduced its issued share capital from 32,668,244 ordinary shares of £1 each to 1 ordinary share of £1. An interim dividend of £11,475,999 was declared by the Board on 21 May 2009 and paid to the shareholder on 28 May 2009. A final dividend of £1,159,000 was declared by the Board on 23 July 2009 and paid to the shareholder on 30 July 2009.