Sellafield Ltd

Nuclear Management Partners

Review of the Year 2009/10

Making Sellafield Ltd

Safer, cleaner, more productive

Sellafield Ltd overview

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Pages 1-18 of this document are the Review of the Year 2009/10 and do not form part of the audited financial statements.

The audited financial statements for the year ended 31 March 2010 are included as the Appendix.

Date of Publication: 19 August 2010

At Sellafield we have one of the largest and most diverse decommissioning portfolios in the world today, with a total value of approximately £23 billion

Under the ownership of Nuclear Management Partners (NMP), we are safely delivering nuclear decommissioning, waste management and commercial operations and by continually raising our performance we will achieve the Nuclear Decommissioning Authority's (NDA) vision to become the site and workforce of choice for potential new missions.

With a diverse portfolio that stretches across the North West of England and spans the entire history of the UK's civil nuclear industry, our challenge is unique.

Nuclear decommissioning, managing, processing and storing low, intermediate and high level waste, reprocessing used nuclear fuel and manufacturing new fuel; our ten thousand strong workforce is delivering all of this and more at Sellafield in West Cumbria, Capenhurst in Cheshire and Risley in Warrington.

We commit to maintaining our engagement with our employees, customers, regulators and local communities around our sites.

The NDA selected NMP to manage Sellafield's diverse mission of decommissioning, nuclear fuel manufacturing, and spent nuclear fuel recycling, because of its world-leading expertise and track record in all of these functions.

NMP is a consortium of the world's leading nuclear industry experts. NMP comprises three companies:

- URS, which manages more US government nuclear clean-up projects and sites than any other company.
- AMEC, the leading UK nuclear engineering and project management company.
- AREVA operates the French fuel cycle programme – the industry's model.

NMP's focus is on making Sellafield safer, cleaner, more productive, more cost-effective, and a better neighbour each and every day.

By doing so, NMP will make Sellafield Ltd fit for purpose and help build the bridge to the UK's green and safe energy future. Specifically, NMP focus on the following:

- **Safer** – establish and sustain a world class safety culture at Sellafield while reducing risk to workers (through high-hazard reduction).
- **Cleaner** – maximize the reduction of risk to the public and the environment by cleaning up what needs it the most first (accelerated high-hazard reduction).
- **More Productive** – apply best-in-class project management and workforce development practices from around the world to boost productivity and accelerate the achievement of site and project milestones.

Sellafield Ltd overview

Capenhurst is due to become the UK's first nuclear site to complete its main plant decommissioning programme – and on the way has delivered the biggest demolition projects ever undertaken in the UK nuclear industry.

Risley hosts the engineering design capability supporting major development projects for Sellafield Ltd. Other support functions based at Risley include Legal, Human Resources, Communications and Finance.

- **More Cost-Effective** – pursue initiatives to clean up the site and recycle fuel at the lowest cost to the UK taxpayer.
- **Better Neighbour** – minimise the impact of accelerated clean-up and organisational change on workers and our host communities through smart planning, pursuit of new site activities, and support of the Energy Coast Master Plan.

NMP promised to bring in nationally and internationally recognised business and technical experts from its parent companies to help deliver the current Sellafield mission and to position the site, its workforce, and West Cumbria for future missions as defined in the Energy Coast Master Plan. We are fulfilling that promise: with an Executive team comprising the highest calibre of experienced professionals from across the globe and 70 experts from NMP's parent companies currently working at Sellafield.

Many of these experts quite literally 'wrote the book' on the areas of their expertise.

- They bring to the UK's decommissioning effort lessons learned from the US's quarter-century-old nuclear clean-up programme, the largest and most successful programme of its type in the world.
- They bring different views and perspectives, which will help Sellafield Ltd reach its full potential.
- They are bringing a multitude of proven, world class processes, management tools, and templates that they helped design. These will save UK taxpayers millions of pounds.
- They are mentoring Sellafield Ltd managers and employees, preparing them for future leadership responsibilities.
- They are partnering with staff to develop new, standardised training programmes that will prepare our workforce deliver current and future work.
- They are critical team players in our journey to establish Sellafield as a Centre of Excellence.

In the short time they have been here, these experts have teamed with Sellafield Ltd staff to help achieve more than £140 million in cost savings through efforts such as organisational restructuring. They work on other teams that have delivered a multitude of other accomplishments including developing the new Lifetime Plan, reducing paperwork and other bureaucracy, and improving project management and communications.

Only by working safely, working together and working efficiently will we deliver value for our customer

Chairman's letter

Nuclear Management Partners won the Sellafield Ltd contract in 2008

"We believe we have entered into a new nuclear partnership that will put Sellafield, Capenhurst and Risley at the forefront of decommissioning performance and expertise across the world."

Dr Ian Hudson NDA Sellafield Programme Director

NMP and NDA on Sellafield Ltd share transfer day, November 2008

Tom Zarges – Chairman

This is my first annual report as Chairman of Nuclear Management Partners Ltd (NMP), the owners of Sellafield Ltd, and I would like to share with you our vision for Sellafield Ltd, the progress we have made and the long journey that still lies ahead.

The name Sellafield, whether you are talking about the nuclear site itself or Sellafield Ltd, the site licence company that operates the Sellafield and Capenhurst sites, has long been synonymous with the nuclear industry; not just in the United Kingdom, but around the world.

Its heritage includes the birth of the country's civil nuclear industry and the back end nuclear fuel cycle services of spent fuel management and storage that have helped to keep the UK's lights on long beyond the days when Calder Hall contributed to the grid.

We believe that the best years are still to come and we are working in partnership with the site owners, the Nuclear Decommissioning Authority, to make Sellafield Ltd the sites and workforce of choice for potential new missions.

The key to achieving this mission? Safely accelerating the high hazard and risk reduction across the organisation and making all of our operations absolutely world class.

NMP brings together the global expertise of URS, AMEC and AREVA, skills that, when combined with those of the existing Sellafield Ltd workforce and supply chain, give us all of the tools that we need to deliver for the NDA and to achieve our vision. But we can't and won't clean up Sellafield overnight.

The site has given over sixty years of service to the UK nuclear industry and the site is home to a portfolio of nuclear challenges that only come with such diligent work.

These challenges range from the decommissioning and demolition of buildings that have managed and processed nuclear materials for over half a century to the ageing infrastructure that underpins the site. As you can imagine, these are not the kind of facilities that you can just come in and knock down.

But we are making progress. Some of this progress is visible – the buildings that are springing up across Sellafield that will support future decommissioning work, and some of it isn't – the preparation work that is going on in the legacy ponds and silos that will allow us to bring planned future work forward.

Have we yet realized the full potential of the sites and the workforce? No. Are we impatient to accelerate the pace of change? Absolutely.

We have, however, gone through several phases of awareness, understanding and improvement. Regardless of your intellectual understanding of Sellafield Ltd and in particular the Sellafield site, it is only when you hit the ground that you can really understand and absorb the full extent of the issues, of the operational concerns and of the condition of the site's infrastructure.

Chairman's letter

We are managing one of the most complex nuclear sites in the world

Hazard reduction: accelerating the clean-up of our legacy facilities

We are confident that we now have a good knowledge of the dynamics of the site and of the site condition, the capacity to do work and the performance baselines.

We have also reviewed the site against best practices and have a vision of the changes that could make Sellafield really stand out as a really proficient nuclear site. These changes are being introduced with diligence and urgency, but always safely – under the umbrella of our Integrated Change Programme.

The pace of change will increase, and as with all change, it will not always be easy – but it will always be the right thing to do for Sellafield Ltd and will help us to achieve our vision.

We will continue on our journey towards making Sellafield safer, cleaner, more productive, more cost-effective and a better neighbour in partnership with our customer, regulators, workforce and stakeholders.

The following annual report and accounts for Sellafield Ltd's 2009/10 financial year will give you more details on our 'safer, cleaner, more productive' journey along with a summary of the progress we are making.

Finally, I would like to pass my sincere thanks to everyone at Sellafield Ltd, for welcoming NMP so positively, for their hard work over the financial year and to this day, and for their passion and determination to make Sellafield Ltd the very best organisation that it can be.

Sellafield Ltd

Managing Director's review of operations

95%

Radioactive sludge 95% removed from historic tank

Capenhurst: biggest nuclear demolition project in UK

Bill Poulson
Managing Director

The drive and enthusiasm of our employees is delivering real progress

The 2009/10 financial year provided Sellafield Ltd with a number of challenges and successes.

Accelerating high hazard and risk reduction was our major challenge during the year and will continue to be our focus going forward. Put simply, this means that we are concentrating on developing and implementing packages of work to clean up the ageing storage ponds and silos at Sellafield; to ensure that our stocks of highly active liquid are safely managed and reduced and that all of the nuclear waste on the site is stored in fit-for-purpose containment.

While there are still many challenges for us to face in these areas, we are making encouraging progress, having delivered the following during the year:

- We have started a major clean-up of storage ponds at Sellafield including the removal of radioactive sludge and old skips.
- Ninety-five percent of the radioactive sludge stored in fifty-year old concrete waste tank has been removed and placed in a modern high-integrity tank.
- The Capenhurst site became the UK's first nuclear site to complete its main plant decommissioning programme – and on they way has delivered the biggest demolition projects ever undertaken in the UK nuclear industry.
- In partnership with International Nuclear Services, we successfully completed the first shipments of solid highly active waste to Japan and the Netherlands, safely, securely, and in full regulatory compliance.

Further information can be found in our 'cleaner' section on page 12.

As our Chairman has already highlighted, we have invested a significant effort to understanding the condition of the Sellafield site's infrastructure.

We reported a number of issues to our regulators, the media and stakeholders during 2009. While none of these issues resulted in damage to the plants or environment we are committed to improving on historical levels of asset care and maintenance to prevent any reoccurrences.

The number of facilities that we need to build and maintain is increasing at Sellafield as we build new facilities to support decommissioning and our commercial operations.

During 2009/10 a number of facilities began to take shape, including an engineered product store and a sludge packaging plant. We also made great progress with our project to construct a new evaporator – Evaporator D – at Sellafield.

Evaporator D is the largest nuclear construction project under way in the UK and we are implementing all of our project management experience and expertise to ensure that this key project continues to progress well.

Managing Director's review of operations

> ***The vitrified residue returns programme demonstrates that our West Cumbria workforce can safely reprocess spent nuclear fuel, store the waste, vitrify it in glass, load it into canisters and then return it to its country of origin.***
>
> **Mike Johnson** Director of Waste and Effluent Disposition

These achievements and many others have defined a year of great progress for Sellafield Ltd and we have introduced a comprehensive, company wide change programme to ensure that we continue to improve, year on year.

The Integrated Change Programme is ensuring that all of the changes that we are making are applied in a considered and consistent way across the business. For further information please see page 8.

Regardless of whether our employees are managing nuclear waste, working in an office, decommissioning a facility or operating a plant, their safety is vital. Our safety goal is still to have zero accidents across our business. To support this we have launched a human performance based safety programme. Peer-to-peer observation encourages all of our employees to challenge unsafe behaviours and actions and I hope to report continuous improvement in our safety performance in future reports. Further information on our safety performance can be found on page 10.

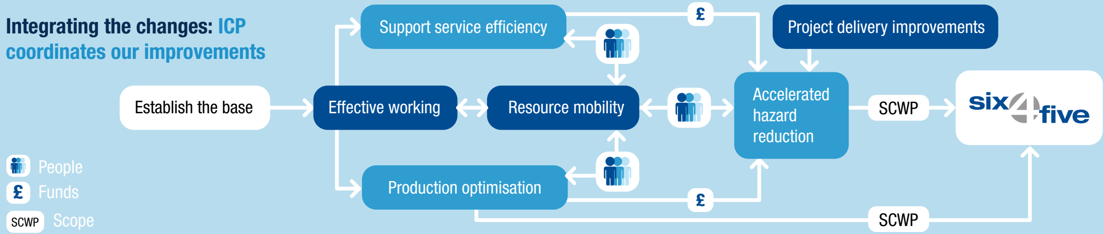
The following sections provide further detail on the progress we have made in the establishment of the Integrated Change Programme and on our journey towards making Sellafield Ltd cleaner, safer, more productive and a better neighbour'.

2009/10 was a year of discovery, facing challenges and making progress. There will be many more challenges to come but I am confident that the combined skills and experience of Sellafield Ltd and the parent body organisations, we can overcome them.

Transport flask being sent back to country of origin

Hazard reduction: accelerating the clean-up of our legacy facilities

Integrated Change Programme



The focus on delivery of results will mean we'll have to prioritise our activities in a disciplined and professional manner – with the focus very much on safety first – and switch resources where appropriate to key projects.

George Beveridge Deputy Managing Director

Radiological rollback success in the Magnox Reprocessing Plant at Sellafield

Achieving is all about accelerating hazard and risk reduction and delivering additional production throughput to support the NDA's objectives.

The Integrated Change Programme supports this by making the changes needed to allow us to deliver work more effectively, make savings and move people and funds to deliver additional work.

The programme began with a thorough review of the business with representatives from our parent organisations (URS, AMEC and AREVA) and from Sellafield Ltd with their recommendations forming the basis of the Integrated Change Programme.

The key elements are:

Establish the base – putting in place the building blocks to allow us to move forward including having the right organisation, standards and lifetime plan in place.

Effective working – making changes to our systems and processes and, by removing some of the barriers to effective working, making it easier to get work done and also stopping work that doesn't add value.

Resource mobility – improving our ability to move people and funds throughout the business to deliver more value added work.

Project delivery improvement – Ensuring we have the right processes, skills and organisation in place to deliver projects safely and reliably.

Successes already delivered across the business, under the umbrella of the Integrated Change Programme, include:

- Implementation of conduct of operations
- Asset care improvements
- Radiological rollback of facilities across Sellafield
- Increased mobility of workforce across the business

A major success of the Integrated Change Programme during 2009/10 was the introduction of projectisation across Sellafield Ltd. This organisational approach aligns resources directly with projects.

The goal of projectisation is to move the Sellafield Ltd workforce to a fully projectised organisation. The benefits of such a transition will include cost efficiencies, streamlining of the organisation, standardisation, delivery completion and improved EHS&Q deliverables.

The Integrated Change Programme goes further than improving plant and project performance. It also supports our ongoing efforts to increase safety and reduce accidents across our sites.

Integrated Change Programme

Mobilising people from Thorp to decommissioning helped us accelerate risk reduction

The conduct of operations manual details the high level requirements and expectations for conduct of operations on our sites

As part of the programme we launched a Peer to Peer observation initiative in 2010. A behavioural based safety initiative, Peer to Peer encourages our workforce to challenge each other when they see potentially unsafe actions and behaviours and also to encourage performance where they see examples of safe actions and behaviours.

The Peer to Peer observation programme encourages our workforce to have the skills and confidence to challenge and be challenged; to recognise and utilise appropriate human performance tools, make peer challenge a routine day-to-day process and to contribute to significant improvements in safety and business performance.

Going forward we will continue to embed the improvements that the Integrated Change Programme has already delivered and continue to invest in the programme so that it continues to produce the changes that we need for Sellafield Ltd to achieve our vision.

Safer

We will establish and sustain a world class safety culture across Sellafield Ltd while reducing risk to workers through hazard reduction

Safer

One in five of our employees has a specific safety role – helping to ensure our safety performance is world class across our operations and sites

Sellafield Ltd becomes full voting member of the World Association of Nuclear Operators

W A N O

Waste Directorate:

26 years without LTA

there were a third less International Nuclear Event Scale (INES) events during 2009/10 compared with the previous year

Safety remains at the forefront of all of our minds and we are pleased to feedback continuous success in this area. Individual projects across Sellafield Ltd are achieving millions of man hours with no accidents and we continue to work towards our target of zero accidents.

Our overriding business priorities are to ensure nuclear safety and leave the lightest possible footprint on the environment. In doing this we will ensure the safety of our workforce, members of the general public and the environment. Our relentless pursuit of excellence is reflected in our health, safety, security, environmental performance and the quality of the products and services we deliver to our customers.

In recent years we have built up an improving safety record. Our goal is to set the pace for safety and environmental care in nuclear clean-up, demanding the highest standards for all our activities and delivered through the rigorous application of a set of principals and fundamentals.

At Sellafield Ltd our primary goal is to protect people and the environment. We work very hard to minimise the environmental impact of our operations across all areas of on site activity.

We continuously engage with stakeholders and seek the widest possible approval of how we manage our environmental responsibilities by recognising and addressing the concerns that people have.

Our goal is to continually improve our global environmental performance by eliminating accidents and incidents, minimising waste and the use of natural resources, ensuring all wastes are managed safely and with care for the environment, sharing and using best practice and meeting or exceeding current standards of environmental performance.

We are working to continually improve our environmental performance by setting and achieving targets to restore our sites, prevent pollution, remove impacts arisings from historic activities, reduce waste arisings and disposal and minimise the use of natural resources.

The health and safety of our people and everybody that works for us is equally as important and we take a proactive stance to continuously improve our health and well being across the business.

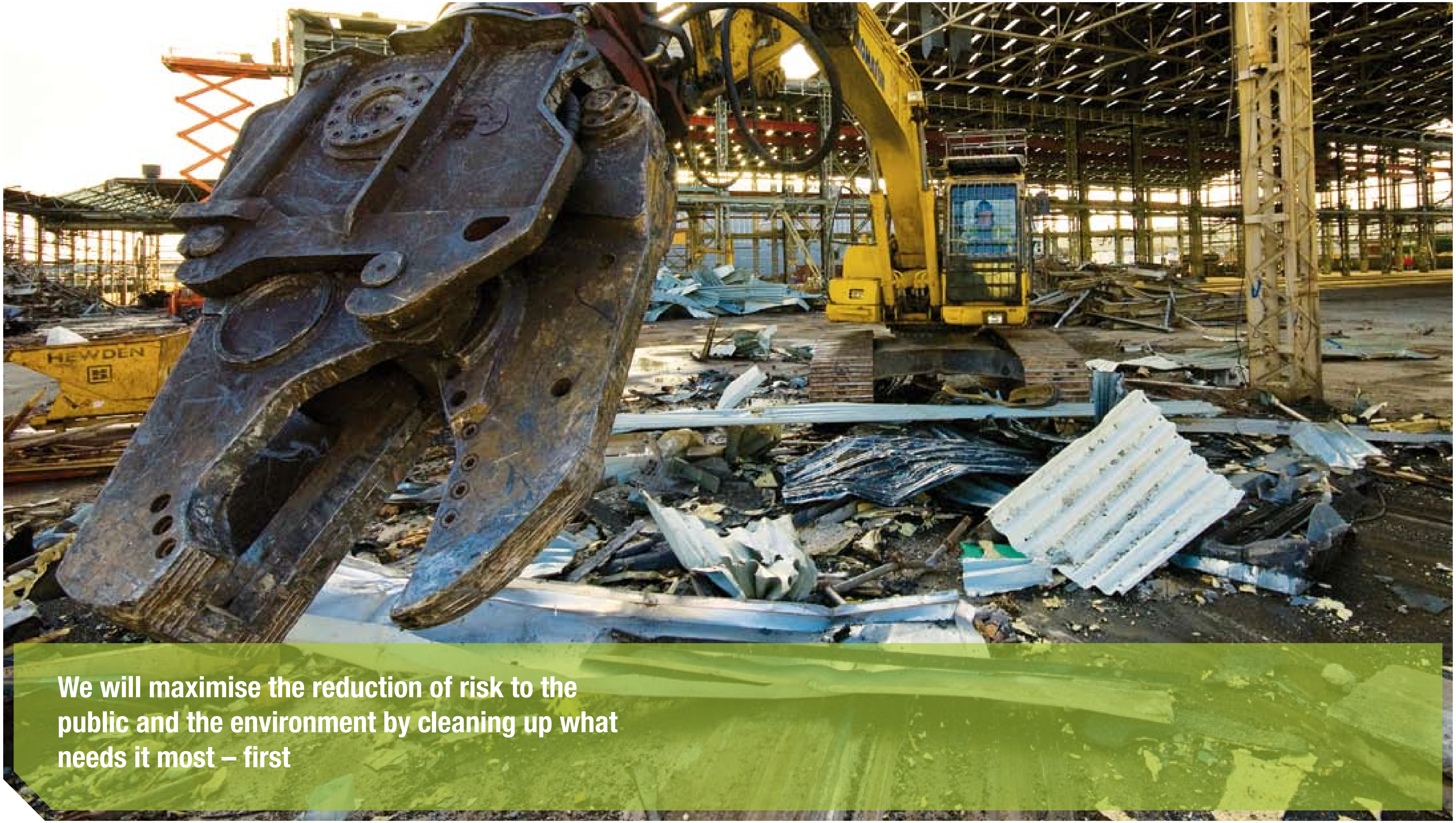
In the 2009/10 financial year we launched a Peer to Peer observation scheme with our employees. All of our employees are encouraged to make at least one safety observation every month whether they are in a work situation, working outdoors, or travelling on and around our sites.

The process encourages our employees to look at what we are doing and provide each other with feedback. In most instances this involves giving positive feedback because generally we are all working safely and to the right standards. There will however be occasions when we spot 'at risk' behaviours and/or conditions. This provides us with the opportunity, through observation and a simple five minute conversation, to help protect each other.

Capenhurst & Calder Hall achieve RoSPA awards for safety performance

The safety of our workforce, communities and environment continues to be our number one priority

Cleaner



We will maximise the reduction of risk to the public and the environment by cleaning up what needs it most – first

Cleaner

Money invested to remove asbestos from Calder Hall:

£26m

"Waste management and disposition represent the most significant long-term activities on the Sellafield site and major areas of expertise. We have invested in our people, processes and the plants to ensure that we deliver our mission of high hazard reduction. We must now seek to bring cost-effective and innovative solutions to enable acceleration of this mission across the company."

Mike Johnson Waste and Effluent Disposition Director

Making Sellafield cleaner has been a key area of focus for both Sellafield Ltd and NMP during 2009/10. Accelerated high hazard and risk reduction across the site delivered some impressive highlights during the year.

Within the Sellafield separation area, which is home to our legacy storage ponds and silos, these highlights included:

- The export of 16 large skips from the Pile Fuel Storage Pond to create space for pond floor desludging operations to start – a key high-hazard reduction activity – and we desludged six withdrawal bays attached to the pond.
- We installed a Local Effluent Treatment Plant in the Pile Fuel Storage Pond to process and treat water from pond and retrieval operations, enabling sludge retrieval by controlling the pond discharge.
- We also installed a cavity sump in the Magnox Swarf Storage Silo enabling sump liquors from a compartment within the facility to be pumped back to primary containment – and in a record 28 days.
- We removed 66 tonnes of concrete and lead from the Magnox Swarf Storage Silo compound and decontaminated it to a level suitable for consignment to the Low Level Waste Repository (for the concrete) or recycling (for the lead).
- Successfully completed the isolation of three redundant pipelines in the First Generation Magnox Storage Pond, the first isolations completed in several years.
- Removed the remaining fissile material from the Prototype Fast Reactor Fuel Fabrication facility, enabling it to be reclassified from a category 1 to a category 3 facility, reflecting a significant risk reduction.
- One of the largest asbestos removal projects in Europe was completed as part of decommissioning Calder Hall resulting in the removal of 2,300 tonnes of asbestos cladding.

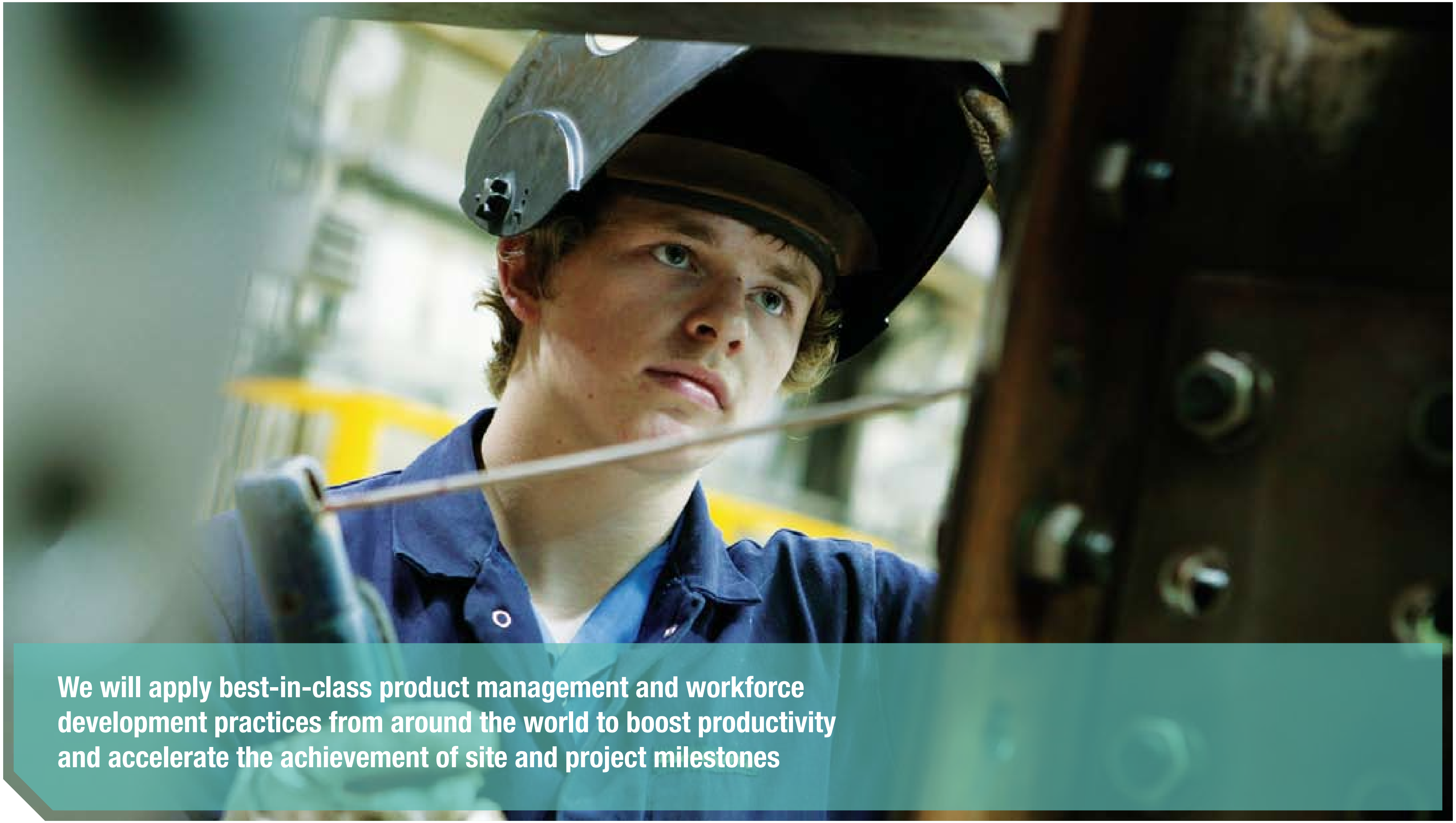
Capenhurst also celebrated success during the 2009/10 financial year as the site became the first nuclear site in the UK to complete its decommissioning programme. This tremendous achievement also witnessed the site safely completing the biggest demolition projects ever undertaken in the UK nuclear industry.

Underpinning all of our high hazard and risk reduction work is our focus on safety and expertise in managing and processing nuclear waste. During 2009/10 we continued to deliver an integrated nuclear waste management programme which seeks to reduce waste volumes arising as part of our current activities as well as historic operations, ensuring that waste is stored safely, minimising the risk to the public and environment.

Ongoing decommissioning activities will continue to reduce the hazard within Sellafield facilities

Sellafield Ltd

More Productive



We will apply best-in-class product management and workforce development practices from around the world to boost productivity and accelerate the achievement of site and project milestones

More Productive

> *Our management of the final stages of decommissioning at Capenhurst offers other sites a blueprint for success.*
>
> **Bill Poulson** Managing Director

Evaporator D
£79.2m
invested into the construction of a new evaporator at Sellafield

Delivering what we say we will, when we say we will do it is fundamentally important and throughout this year, our focus on delivery has already seen us delivering real results.

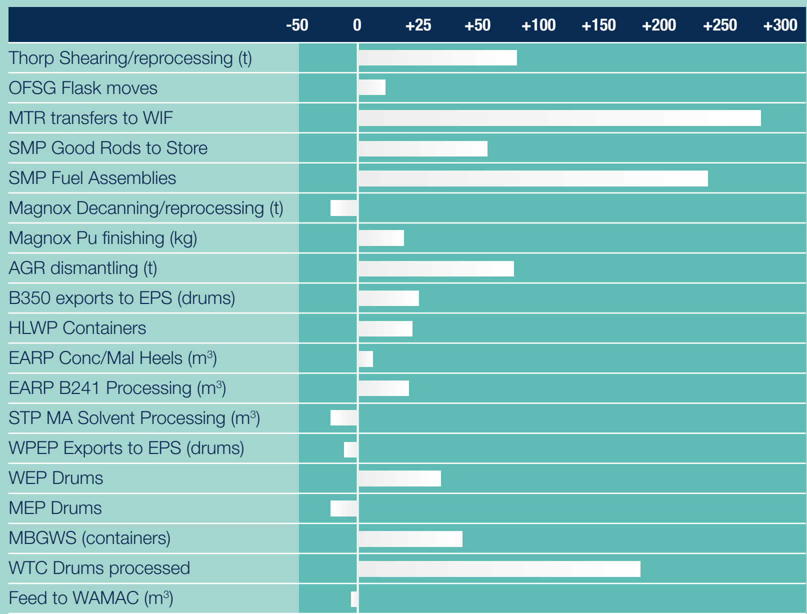
- A major milestone was reached at Sellafield in June 2009 with the production of the 5,000th container of high level solid waste completed in the vitrification plant.
- Over 6,000,000kg of free release metal has been sent for recycling at Sellafield and Capenhurst.
- In July 2009 Thorp reached a significant milestone having sheared its 6,000th tonne of fuel.
- We completed the build of eight MOX fuel assemblies in the Sellafield MOX plant.
- In partnership with International Nuclear Services (INS), Sellafield Ltd successfully completed the first shipments of solid highly active waste to Japan and the Netherlands, safely, securely and in full regulatory compliance.
- At Capenhurst the demolition of the site's south cable bridge, which carried a range of utilities, was completed in just a few weeks. All materials from the demolition were recycled and no accidents or injuries occurred.

Improved performance

We have already achieved an increase in productivity in key productivity, performance areas.

Key Metrics

Percent Change in Weekly Average Output: July 07 - Oct 08 vs Nov 08 - Feb 10



Our employees are delivering world class project management and operations across our sites

Better Neighbour

Minimise the impact of accelerated clean-up and organisational change on workers and Sellafield's host communities through smart planning, pursuit of new site activities and support of the Energy Coast Master Plan

Better Neighbour

Our goal is to be respected by all our stakeholders and the general public at large for the responsible way in which we carry out our business.

Iain Irving Director Stakeholder Relations

Socio economic support:

Over £3 million donated during 2009/10

Sellafield Ltd has a long history of supporting its local communities and, under the ownership of NMP, this support continued in the 2009/10 financial year.

Together, Sellafield Ltd, NMP and the NDA have become 'Nuclear Funding Partners' and their inclusion on Britain's Energy Coast West Cumbria board, their alignment to support delivery of the Britain's Energy Coast West Cumbria Investment Plan 2010/13 and development of revised governance arrangements has redefined how we support economic development.

During 2009/10 Sellafield Ltd invested over £3 million, on behalf of the NDA, to support the socio economic development of West Cumbria alone. As part of the West Cumbrian Development Fund we were pleased to support the following projects:

- **Phoenix Court Refurbishment, Cleator Moor** – the refurbishment programme brought 668m² of office accommodation up to modern standards.
- **Hutton Place Improvements, Glasson Estate, Maryport** – a new access road has been built creating a significant gateway route leading to the Maryport Harbour area.
- **Whitehaven Public Realm Works** – to date £100,000 support has been given to improve the public realm outside the Civic Hall in Whitehaven, a significant gateway route into the town of Whitehaven.
- **Workspace Unit, Lillyhall East** – the construction of two new units – 10,000 sq.ft. and 7,500 sq.ft. – was successfully completed in July 2009.

Many of our employees also offer their own time, concern and commitment to helping others in their local communities. We encourage all forms of employee volunteering and support our employees in their community work.

At Risley, our employees raised over £11,000 for North West Air Ambulance and at Capenhurst, along with company donations, they raised more than £20,000 for Claire House Children's Hospice in Chester.

We will continue to embed our new governance arrangements for supporting Britain's Energy Coast programme whilst exploring new and innovative ways for the 'Nuclear Partners' to utilise their unique capacities for contributing to our communities.

Our commitment to supporting Science, Technology, Engineering and Maths (STEM) curriculum also continued during 2009/10. During the year we worked with over 170 school groups across the North West in the delivery of workshops at Sellafield and in local schools. These workshops were supported by a number of employees from our group of over 250 qualified STEM ambassadors.

Teachers from Industry also ran 161 science workshops in primary schools around Risley for 4,331 children. The programme provides inspirational 'hands-on' workshops to promote and encourage the teaching of science and engineering in primary schools.

We continue to encourage and support our employees as they raise money for charities and give back to their communities

Glossary

AGR	Advanced Gas Cooled Reactor
Conc/Hal	Concentrated Medium Active Liquor
EARP	Enhanced Actinide Removal Plant
EHS&Q	Environment, Health, Safety and Quality
EPS	Engineered Product Store
HAW	Highly Active Waste
HLWP	High Level Waste Plant
ICP	Integrated Change Programme
INES	International Nuclear Events Scale
LTA	Lost Time Accident
MA	Medium Active
MBGWS	Miscellaneous Beta Gamma Waste Stores
MEP	Magnox Encapsulation Plant
MOX fuel	Mixed Oxide Fuel
MTR	Military Type Reactor
Nuclear Decommissioning Authority (NDA)	Owners of all of the UK's civil nuclear assets and liabilities
Nuclear Management Partners (NMP)	A consortium of URS, AMEC and AREVA; owners of Sellafield Ltd
OFSG	Oxide Fuel Storage Group
Pu	Plutonium
RoSPA	Royal Society for the Prevention of Accidents
Sellafield Ltd	Operators of the Sellafield and Capenhurst nuclear sites
SMP	Sellafield Mox plant
STP	Solvent Treatment Plant
Thorp	Thermal Oxide Reprocessing Plant
WAMAC	Waste Monitoring and Compaction Plant
WANO	World Association of Nuclear Operators
WEP	Waste Encapsulation Plant
WPEP	Waste Packaging and Encapsulation Plants
WIF	Waste Inlet Facility
WTC	Waste Treatment Complex

Appendix

Pages 1-18 of this document are the Review of the Year 2009/10 and do not form part of the audited financial statements. The audited financial statements for the year ended 31 March 2010 are set out in the Appendix which follows.

Appendix

Sellafield Limited

Directors' report and financial statements

(Registered number 1002607)

31 March 2010

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 C L Fidler

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Cheshire
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Appendix

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2010.

Results and dividends

The profit before taxation was £40 million (2009: loss £14 million). In 2010 the Company earned fees totalling £47 million under Management & Operations (M&O) contracts with the Nuclear Decommissioning Authority (NDA) (2009: £19 million). This represented 94% of the available fee pool as a result of the Company's performance against the NDA's performance-based initiatives (PBI's) and efficiency targets (2009: 100%).

The profit for the year, after taxation, amounted to £36 million (2009: loss £2 million). Following a capital restructuring completed on 6 April 2009, an interim dividend of £11,475,999 was declared on 21 May 2009 for the year ended 31 March 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 totalling £17,400,000 have been paid for the year ending 31 March 2010 as follows:

Date declared	Amounts, £	Date paid to shareholder
23 July 2009	1,200,000	30 July 2009
14 September 2009	3,200,000	17 September 2009
10 December 2009	7,000,000	14 December 2009
28 January 2010	2,000,000	5 February 2010
18 March 2010	4,000,000	22 March 2010

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.

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, £85 million (2009: £73 million), relate to the Company and are directly recoverable from the NDA, as explained in accounting policy Note 2.3f.

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% (2009: 95%) of invoices submitted against the standard payment terms of 30 days net monthly were paid on time.

Appendix

Directors' report (continued)

Directors

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

Mr W G Poulson (Managing Director)
Dr G T Wright
Mr G D Beveridge
Ms F Williams
Mr P Foster
Mr P Grefenstette (resigned 23 July 2009)
Mr D Becker (appointed 23 July 2009)
Lord Clark of Windermere
Sir Paul Lever
Rear Admiral T C Chittenden

Secretary

Mr P J Holland (resigned 10 December 2009)
Mr C L Fidler (appointed 10 December 2009)

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 (2009: £nil). Donations to UK charities amounted to £6.9 million (2009: £2.9 million), which includes £5.7 million (2009: £1.9 million) to support West Cumbrian economic regeneration initiatives. Payments of £2.6 million have been made under contract from the NDA (2009: £2.6 million), while the remaining payments of £4.3 million (2009: £300,000) are disallowable costs under the M&O contract.

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.

Appendix

Directors' report (continued)

Principal risks and uncertainties

As discussed in Notes 2.3m and Note 20, 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.

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 (PBIs) 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, Nuclear Management Partners Limited (NMP), and the shareholders of NMP (see Note 19).

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.

Going concern

The directors have concluded that the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern.

Events since the balance sheet date

A further interim dividend of £6,000,000 was declared by the Board on 20 May 2010, and paid to the shareholder on 25 May 2010.

Directors statement regarding information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is 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

C L Fidler
Secretary

Date: 17 June 2010

Registered Company Number: 1002607

Booths Park
Chelford Road
Knutsford
Cheshire
WA16 8QZ

Appendix

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under Company Law the directors must not approve the company financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the company for that period. In preparing the company financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the company has complied with IFRSs; and
- make judgements and estimates that are reasonable and prudent.

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 company financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulations. 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.

Appendix

Independent Auditors' Report to the Members of Sellafield Limited

We have audited the financial statements of Sellafield Limited for the year ended 31 March 2010 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related Notes 1 to 22. 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.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Jan Gregory
Senior statutory auditor

for and on behalf of Ernst & Young LLP (Statutory Auditor)
Manchester

Date: 18 June 2010

Appendix

Income statement

For the 12 months ended 31 March 2010

	Notes	2010 £M	2009 Restated (see Note 2) £M
Gross revenue including fees and Site Licence Company costs under management	4	**1,473**	1,302
Less: Site Licence Company costs under management excluding fees		**(1,426)**	(1,283)
Revenue	4	**47**	19
Operating costs and expenses (excluding exceptional items)	4	**(7)**	(4)
Exceptional costs included within operating costs and expenses	4	**–**	(29)
Total operating costs and expenses	4	**(7)**	(33)
Operating profit/(loss) from continuing operations		**40**	(14)
Profit/(loss) on continuing activities before taxation		**40**	(14)
Tax (expense)/credit	7	**(4)**	12
Profit/(loss)for the year		**36**	(2)
Profit/(loss) attributable to:			
Equity holders of the company	13	**36**	(2)

Continuing operations in 2010 and 2009 include the fees earned from the NDA on the work undertaken by the Company.

All of the Company's operations in both 2010 and 2009 are continuing.

Details of the transition of the Company's financial statements from UK GAAP to IFRS are discussed in Note 2.

Appendix

Statement of comprehensive income

For the 12 months ended 31 March 2010

	2010 £M	2009 Restated £M
Profit/(loss) for the year	**36**	(2)
Other comprehensive income:		
Actuarial gain/(loss) recognised on GPS defined benefit pension plan (see Note 17)	**18**	(7)
Actuarial loss recognised on CNPP defined benefit pension plan (see Note 17)	**(27)**	(2)
Net actuarial loss not recognised due to IFRIC 14 (see Note 2.2)	**9**	9
Other comprehensive income for the year, net of tax	**–**	–
Total comprehensive income for the year	**36**	(2)
Total comprehensive income attributable to:		
Equity holders of the company	**36**	(2)

Details of the transition of the Company's financial statements from UK GAAP to IFRS are discussed in Note 2.

Appendix

Statement of financial position

At 31 March 2010

	Notes	31 March 2010	31 March 2009 Restated	As at 1 April 2008 Restated
		£M	£M	£M
Assets				
Non-current assets				
Investments	8	**–**	–	–
Deferred tax assets	7	**22**	26	14
Total non-current assets		**22**	26	14
Current assets				
Trade and other receivables	9	**254**	245	254
Cash and cash equivalents	10	**13**	9	–
		267	254	254
Total assets		**289**	280	268
Current liabilities				
Trade and other payables	11	**(257)**	(249)	(254)
Non-current liabilities				
Other non-current financial liabilities	11	**(14)**	(19)	–
Total liabilities		**(271)**	(268)	(254)
Net assets		**18**	12	14
Capital and reserves				
Equity share capital	12	**–**	33	33
Retained earning	13	**18**	(21)	(19)
Total equity		**18**	12	14

Details of the transition of the Company's financial statements from UK GAAP to IFRS are discussed in Note 2.

These financial statements were approved by the board of directors on 17 June 2010 and were signed on its behalf by:

Dan Becker
Director
Date: 17 June 2010

Dan Becker

Appendix

Statement of changes in equity
for the year ended 31 March 2010

	Share capital £M	Retained earnings £M	Total equity £M
Shareholders' funds at 1 April 2009 (as restated)	33	(21)	12
Total comprehensive income for the year	–	36	36
Dividends	–	(30)	(30)
Capital reduction	(33)	33	–
Changes in equity for year ended 31 March 2010	(33)	39	6
Shareholders' funds at 31 March 2010	**–**	**18**	**18**

Statement of changes in equity
for the year ended 31 March 2009

	Share capital £M	Retained earnings £M	Total equity £M
Shareholders' funds at 1 April 2008 (as restated)	33	(19)	14
Total comprehensive income for the year	–	(2)	(2)
Dividends	–	–	–
Capital reduction	–	–	–
Changes in equity for year ended 31 March 2009	–	(2)	(2)
Shareholders' funds at 31 March 2009	**33**	**(21)**	**12**

Details of the transition of the Company's financial statements from UK GAAP to IFRS are discussed in Note 2.

Appendix

Statement of cash flows

for the year ended 31 March 2010

	2010 £M	2009 £M
Operating activities		
Profit/(loss) before tax on continuing activities	**40**	(14)
Non-cash adjustment to reconcile profit/(loss) before tax to net cash flows:		
Taxation credit due to NDA	**3**	–
Exceptional item – benefit of deferred taxation asset due to NDA	**–**	29
Working capital adjustments:		
(Increase)/decrease in trade and other receivables and prepayments	**(9)**	3
Increase/(decrease) in trade and other payables	**8**	(9)
Cash payments to NDA in respect of utilisation of tax losses carried forward	**(8)**	–
Corporation tax reimbursement	**–**	10
Tax reimbursement due to former parent undertaking	**–**	(10)
Net cash flows from operating activities	**34**	9
Financing activities		
Dividends paid to equity holders	**(30)**	–
Net increase in cash and cash equivalents	**4**	9
Cash and cash equivalents at 1 April	**9**	–
Net cash at 31 March	**13**	9

Notes to the financial statements

1 Corporate information

The financial statements of the Company for the year ended 31 March 2010 were authorised for issue in accordance with a resolution of the directors on 17 June 2010. The Company is a limited company incorporated and domiciled in the UK. The registered office is located at Booths Park, Chelford Road, Knutsford, Cheshire in the UK.

The principal activity of the Company is to operate nuclear sites under site licence and operation contracts with the NDA.

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The financial statements are presented in Sterling and all values are rounded to the nearest million pounds (£M) except where otherwise indicated.

For all periods up to and including the year ended 31 March 2009, the Company prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP).

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 Changes in accounting policy and disclosures

The Company's accounting policies have been revised with effect from 1 April 2008 to reflect IFRS as adopted by the European Union.

The main IFRSs that are applicable to the Company are as follows:

- IFRS 3 Business combinations;
- International Accounting Standard 18 (IAS 18) Revenue recognition;
- IAS 12 Income taxes;
- IAS 19 Employee benefits and International Financial Reporting Interpretations Committee – Interpretation 14 (IFRIC 14) – general requirements concerning the limit on a defined benefit asset;
- IAS 17 Accounting for leases;
- IAS 24 Related party disclosures;
- IAS 32 Financial instruments – presentation, IAS 39 Financial instruments – recognition and measurement, and IFRS 7 Financial instruments – disclosure.

The significant changes in accounting policies, which have arisen from the Company's transition to IFRS, are discussed below and in Note 22.

Balance sheet reclassifications

There are a number of reclassifications between balance sheet captions that arise from the application of various IFRS. These are as shown in the reconciliations between UK GAAP and IFRS in Note 22.

IAS 19 Employee benefits

Under UK GAAP, the Company's accounting policy was to account for short term employee costs on a 'paid' basis and the Company did not account for cumulative annual leave and credit time entitlements.

Under IAS 19, Employee Benefits, the accounting policy is to recognise the expected cost of short term employee benefits when the employees render service that increases their entitlement to future compensated absences, such as annual leave and credit time.

The impact of IAS 19 on the Company's transition to IFRS is to increase employee creditors (holiday pay and credit time accruals) by £15 million at 31 March 2009 (1 April 2008: £13 million). Under the terms of the M&O contract, payments to employees within normal terms and conditions are recoverable from the NDA. As a result, the increase in employee creditors is matched by an increase in amounts recoverable from NDA.

There is also an increase of £2 million in Site Licence Company costs within the 2009 income statement reflecting the increase in employee creditors during the year. However, as above this increase is recoverable from NDA under the M&O contract, and therefore there is an increase of £2 million in Gross fees and reimbursement of Site Licence Company costs.

IFRIC 14 – general requirements concerning the limit on a defined benefit asset

Under UK GAAP, the full actuarial surpluses for both the Group Pension Scheme (GPS) and Combined Nuclear Pension Plan (CNPP) were recognised in the Company's balance sheet, with an equal and opposite NDA creditor, to reflect that as the principal employer of both schemes, the NDA was the ultimate beneficiary of the surpluses.

IFRIC 14 considers the general requirements concerning the limit on a defined benefit asset, and clarifies that economic benefits, in the form of refunds or reduced future contributions, are available if they can be realised at some point during the life of the plan or when the plan liabilities are settled. IFRIC 14 states that if the right to a refund of a surplus depends on the occurrence or non-occurrence of one or more uncertain future events not wholly within an entity's control, the entity does not have an unconditional right and should not recognise an asset.

Under the terms of the trust deeds for the GPS and CNPP respectively, the Company does not have an unconditional right to the surplus of either scheme, and as result the actuarial surpluses of £13 million at 31 March 2009 (1 April 2008: £12 million) (and equal and opposite NDA creditor) have been de-recognised and not included on the Company's balance sheet.

Notes to the financial statements (contd)

IAS 32 The effects of changes in foreign exchange rates

The Company enters into derivative financial instruments such as forward currency contracts on behalf of the NDA. These contracts are to hedge NDA's risks associated with foreign currency contracts. Under IAS 32, these derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. These derivative financial instruments have been entered into on behalf of the NDA, and therefore, gains and losses are recoverable or payable from/to the NDA.

Gains or losses on derivatives entered into on behalf of the NDA are recognised in profit and loss. Similarly, associated amounts recoverable from or payable to the NDA in respect of gains and losses on derivatives, are also recognised in profit and loss.

The impact of IAS 32 on the Company's transition to IFRS is to increase Trade and other receivables by £4 million at 31 March 2009 (1 April 2008: £2 million) with an increase in Trade and other payables of £4 million (1 April 2008: £2 million). There is also an increase of £4 million in finance revenue within the 2009 income statement being unrealised profits and losses on derivative contracts (1 April 2008: £2 million). This is offset by finance revenue charges of £4 million (1 April 2008: £2 million) as these unrealised profits and losses are payable to or recoverable from NDA.

The accounting policies adopted are consistent with the IFRS accounting policies described above except for the following new and amended standards and interpretations during the year. Adoption of these revised standards and interpretations did not have a material effect on the financial statements of the Company.

- IFRS 2 Share-base Payment – Vesting Conditions and Cancellations;
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39;
- IFRS 7 Financial Instruments – Disclosures effective 1 January 2009;
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009;
- IAS 32 Financial Instruments Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009;
- IFRIC 9 and IAS 39 Financial Instruments Recognition and Measurement – Eligible Hedged Items effective 1 January 2009;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 15 Agreements for Construction of Real Estate;
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation; and
- IFRIC 18 Transfer of Assets

The adoption of the above amendments have not had any impact on the financial position of the Company.

2.3 Summary of significant accounting policies

a) Property, plant and equipment

The Company does not own any property, plant and equipment. 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.

b) Foreign currencies

The Company's functional currency and presentation currency is pounds Sterling. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, VAT and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue earned on the M&O contract between the Company and the NDA

Revenue represents the net fees earned on the M&O contract between the Company and NDA.

d) Leases

Company as a lessee

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the lease term. Operating lease rentals are recoverable from the NDA under the terms of the M&O contract. The Company has no assets held under finance leases.

Company as a lessor

The Company has sub-let certain operating leases to third parties. The rental income from these operating leases, including the effect of any lease incentives, is recognised on a straight line basis over the lease term. Under the terms of the M&O contract, rental income received from third parties is transferred to the NDA.

Appendix

Notes to the financial statements (contd)

e) Post-retirement benefits

The Company provides pension plans 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 (ESPS). The CNPP defined benefit pension plan was closed to new employees with effect from 24 November 2008, from which time membership of a CNPP defined contribution plan is available.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlements to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight line basis over the vesting period or immediately if the benefits have vested. When settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during year. The expected return on plan assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance revenue or cost.

The Company has applied the option in IAS 19 to recognise actuarial gains and losses in full in the statement of comprehensive income in the period in which they occur.

The defined benefit pension asset or liability comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

The Company does not have an unconditional right to actuarial surpluses on either the GPS or CNPP pension plans. As a result, under IFRIC 14, surpluses are not recognised on the balance sheet. Any deficits, on both the GPS and CNPP are recognised in full with a corresponding asset from the NDA for the full value of the deficit.

The Company is unable to identify its share of the underlying assets and liabilities of the ESPS on a consistent and reasonable basis and therefore, accounts for the scheme as if it were a defined contribution scheme.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

f) Research and development expenditure

Research and development costs are expensed as incurred and are directly recoverable from the NDA under the M&O contract.

g) Inventories

Inventories 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 contract.

h) Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

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.

i) 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.

Appendix

Notes to the financial statements (contd)

j) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

k) Exceptional items

The Company presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

l) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and adjustments made to the extent that it is no longer probable that sufficient profits will be available.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

m) Derivatives and commodity contracts

The Company uses forward foreign currency contracts and currency options to reduce foreign exchange rate exposure on certain assets, liabilities and firm commitments. All Treasury activities are carried out under policies approved by the Board.

The Company enters into derivative financial instruments such as forward currency contracts on behalf of the NDA. These contracts are to hedge NDA's risks associated with foreign currency contracts. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. When derivative financial instruments have been entered into on behalf of the NDA, gains and losses are recoverable or payable from/to the NDA. Gains or losses on derivatives entered into on behalf of the NDA are recognised in profit and loss. Similarly, associated amounts recoverable from or payable to the NDA in respect of gains and losses on derivatives, are also recognised in profit and loss.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

n) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and the recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made where there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as remote.

o) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

p) Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

q) De-recognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the profit or loss.

Notes to the financial statements (contd)

3 Significant accounting judgments, estimates and assumptions

Judgements

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

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Taxation

The Company is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned. Tax computations for all periods ending before 31 March 2006 have been agreed with the relevant authorities.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. The carrying value of the deferred tax asset on recognised tax losses at 31 March 2010 is £22 million (2009: £26 million, 2008: £14 million). The Company has no unrecognised tax losses at 31 March 2010 (2009: £nil, 2008: £nil).

Pension benefits

The cost of defined benefit pension plans and the present value of pension obligations are determined using actuarial valuations. An actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions, and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rates are based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Further details about the assumptions used are given in Note 17.

Appendix

Notes to the financial statements (contd)

4 Revenue, net operating costs and expenses

During the years ended 31 March 2010 and 2009 the Company managed sites funded by the NDA as a Site Licence Company.

	Year ended 31 March 2010 £M	Year Ended 31 March 2009 £M
Other operating costs		
Disallowable costs	**4**	1
Taxation credit due to NDA	**3**	1
Management fee paid to BNG	**–**	2
Executive severance costs	**–**	8
Other operating income		
Reimbursement from BNG for Executive severance costs	**–**	(8)
Operating costs and expenses (excluding exceptional items)	**7**	4
Exceptional items:		
Benefit of deferred taxation asset due to NDA	**–**	29
	7	33

Revenue represents the fees that are earned by the Company under the M&O contract with the NDA. The Company earned fees of £47 million in the year ended 31 March 2010 (2009: £19 million). 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 £17 million in the period 24 November 2008 to 31 March 2009. Further fee income of £2 million was recorded in the year ended 31 March 2009 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 British Nuclear Group Limited (BNG).

Disallowable costs

Disallowable costs represent costs that are not recoverable from the NDA under the terms of the M&O contract, and also include socio-economic costs paid by the Company of £4.3 million (2009: £nil).

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.

Geographical Segment Analysis

In both 2010 and 2009, all revenue, other operating costs and income respectively relates to the operation of M&O contracts in the UK.

Auditors' remuneration

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Audit	**136**	154
Other fees to auditors:		
Taxation services	**79**	95
Other services – fees receivable by the auditors and their associates	**117**	26
	332	275

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

Appendix

Notes to the financial statements (contd)

5 Remuneration of directors

	Year ended 31 March 2010 £000	Year Ended 31 March 2009 £000
Directors' emoluments including payments to NMP for directors' services	**3,379**	1,771
Compensation for loss of office	**–**	4,165
	3,379	5,936

Messrs Poulson, Wright, Beveridge, Foster, Becker, Grefenstette and Ms Williams are seconded to the Company from its parent company, Nuclear Management Partners Limited (NMP). They are employees of the shareholding companies of NMP (see Note 19), and seconded to NMP. The Company receives a charge from its parent for their services as directors, which in 2009/10 totalled £3,289,000 (2009: £1,057,223). This amount is included in the table above, and includes an uplift to cover detached duties to the UK, tax equalisation and exchange rate fluctuations.

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 4.

In 2009, 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 4.

In 2010 the highest paid director was seconded to the Company from NMP as discussed above. The Company paid £1,054,000 to NMP for his services as a director, which includes an uplift to cover detached duties to the UK, tax equalisation and exchange rate fluctuations. In 2009, the aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £2,100,000, including compensation for loss of office payments of £1,859,000.

In 2010 all the Executive directors are seconded to the Company from NMP, and none of the directors are active members of the Company pension plans discussed in Note 17.

	2010	2009
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	**–**	4

Pensions

In 2009, the pensions disclosure in respect of the highest paid director was as follows.

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 were made to these schemes during 2009. Details of the pension benefits for the highest paid director are as follows:

	2009 £
Accrued pension benefits	92,062
Accumulated lump sum	276,186
Transfer value	2,213,395

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

Appendix

Notes to the financial statements (contd)

6 Employee benefits expense

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

	Year ended 31 March 2010	Year ended 31 March 2009
Average number of employees	**9,865**	9,738

The aggregate employee benefits expense of these persons was as follows:

	Year ended 31 March 2010 £M	Year ended 31 March 2009 £M
Wages and salaries	**426**	415
Social security costs	**36**	37
Pension costs	**85**	66
	547	518

Pension costs disclosed above include IAS 19 current and past service costs (Note 17) 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 IAS 19 charges are included in the income statement 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 4.

In 2009, the above costs exclude Executive severance costs, which were reimbursed from BNG, and are shown within the operating costs and expenses in Note 4.

7 Income tax

The major components of income tax expense for the years ended 31 March 2010 and 2009 are:

Income statement

	Year ended 31 March 2010 £M	Year Ended 31 March 2009 £M
UK corporation tax		
Current income tax		
Current income tax charge	**–**	–
Adjustments in respect of current income tax of previous year	**–**	–
Deferred tax		
Relating to origination and reversal of temporary differences: deferred taxation in respect of taxable losses carried forward and other timing differences for the period	**4**	(7)
Adjustments in respect of deferred income tax of previous year	**–**	(5)
Income tax charge/(credit) reported in the Income Statement	**4**	(12)

A reconciliation between tax charge/(credit) and the product of accounting profit/(loss) multiplied by the UK's domestic corporation tax rate for the years ended 31 March 2010 and 2009 is as follows:

	Year ended 31 March 2010 £M	Year Ended 31 March 2009 £M
Profit/(loss) from continuing operations before taxation	**40**	(14)
Accounting profit multiplied by the UK standard rate of corporation tax of 28% (2008: 28%)	**11**	(4)
Effects of:		
Permanent differences	**(7)**	(3)
Adjustments to tax charge in respect of previous periods	**–**	(5)
Total income tax charge/(credit)	**4**	(12)

Appendix

Notes to the financial statements (contd)

7 Income tax (contd)

Deferred tax

Deferred tax relates to the following:

	Statement of financial position 2010	2009	As at 1 April 2008	Income statement 2010	2009
	£M	£M	£M	£M	£M
Corporation tax losses carried forward for offset against future taxable income	**22**	23	8	**1**	(15)
Other timing differences in respect of pensions	**–**	3	6	**3**	3
Deferred tax expense/(credit)				**4**	(12)
Deferred tax asset	**22**	26	14		

Reconciliation of deferred tax asset

	2010	2009
	£M	£M
Opening balance at 1 April	**26**	14
Tax (expense)/income during the year recognised in income statement	**(4)**	12
Closing balance at 31 March	**22**	26

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

At 31 March 2010 the Company has gross Corporation tax losses carried forward of £78 million (2009: £82 million), plus other timing differences of £nil related to spreading of pension payments from an earlier period (2009: £10 million), which at a tax rate of 28% equates to a deferred tax asset of £22 million (2009: £26 million). The movements in the year give rise to a deferred tax charge in the Income Statement of £4 million (2009: credit £12 million).

The tax losses are available indefinitely for offset against future taxable profits of the Company. The deferred tax asset of £22 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 2010 (31 March 2009: £nil).

Factors affecting the future tax charge

As set out in Note 4, 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 indefinitely 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.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholder (see Note 14).

Appendix

Notes to the financial statements (contd)

8 Investments

Subsidiary undertakings

	Shares at cost £M	Amount provided £M	Total £M
At 1 April 2009	–	–	–
Disposals during the year	–	–	–
At 31 March 2010	–	–	–

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.

Notes to the financial statements (contd)

9 Trade and other receivables

	2010 £M	2009 £M	As at 1 April 2008 £M
Company's fees and working capital recoverable from the NDA	**254**	237	214
Corporation tax	**–**	–	10
Amounts owed to Group undertakings	**–**	–	2
Amounts owed by Parent undertaking	**–**	–	26
Amounts owed by other related parties	**–**	1	1
Forward currency derivative contracts	**–**	3	1
Other debtors	**–**	4	–
	254	245	254

At 31 March 2010, the ageing analysis of the Company's fees and working capital recoverable from the NDA is as follows:

	Total	Neither part due nor impaired	Part due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
	£M	£M	£M	£M	£M	£M	£M
2010	254	250	1	1	2	–	–
2009	237	236	1	–	–	–	–
As at 1 April 2008	214	214					

At 31 March 2009, Other debtors are the amounts owed by the previous Parent undertaking, BNG in respect of former Executive and director severance costs. For terms and conditions relating to related party receivables, refer to Note 18. Fees and working capital recoverable from the NDA are non-interest bearing and are on terms set out in the M&O contract. There are no provisions for impairment of trade and other receivables at 31 March 2010 (31 March 2009: £nil). All trade and other receivables are denominated in Sterling.

Appendix

Notes to the financial statements (contd)

10 Cash and cash equivalents

	2010 £M	2009 £M	As at 1 April 2008 £M
Cash at bank and in hand	**13**	9	–
	13	9	–

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents at 31 March 2010 is £13 million (31 March 2009: £9 million). The Company only deposits cash surpluses with major banks of high quality credit standing.

The Company's working capital requirements are provided by its parent company, NMP, and the three shareholders of NMP (see Note 19). Under the terms of the M&O contract, NMP is required to make available working capital facilities of £20 million to the Company. At 31 March 2010 the Company had undrawn working capital facilities of £20 million (2009: £20 million). These facilities are available for the duration of the M&O contract, which is until 31 March 2013, with options to extend.

11 Trade and other payables

	2010 £M	2009 £M	As at 1 April 2008 £M
Current liabilities			
Trade payables	**37**	27	22
Amounts owed to Parent undertaking	**3**	3	15
Amounts owed to other Group undertakings	**–**	–	3
Amounts owed to other related parties (see Note 18)	**12**	12	–
Other taxes and social security costs	**24**	26	29
Accruals and deferred income (including employee creditors)	**170**	166	177
Forward currency derivative contracts	**–**	1	1
Owed to INS (Note 8) re forward currency derivative contracts	**–**	3	1
Other creditors	**11**	11	6
	257	249	254
Non-current liabilities			
Other creditors	**14**	19	–
	14	19	–

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

Terms and conditions of the above financial liabilities:

- trade payables are non-interest bearing and are normally settled on net monthly terms;
- other payables are non-interest bearing and have an average term of 6 months;
- for terms and conditions relating to related parties, refer to Note 18;
- for explanations on the Company's credit risk management processes, refer to Note 20.

Appendix

Notes to the financial statements (contd)

12 Called up share capital

	2010 £M	2009 £M	2008 £M
Authorised			
43,000,000 Ordinary shares of £1 each	**43**	43	43
Allotted, called up and fully paid			
1 Ordinary share of £1 each (2009: 32,668,244)	**–**	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.

13 Profit and loss account

	Profit and loss account £M
Deficit at 1 April 2008	**(19)**
Loss for the financial year	**(2)**
Deficit at 1 April 2009	**(21)**
Profit for the financial year	**36**
Capital reduction	**33**
Dividends (Note 14)	**(30)**
At 31 March 2010	**18**

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

14 Dividends paid and proposed

	2010 £000	2009 £000	2008 £000
Declared and paid during the year:			
Dividends on ordinary share:			
Interim dividend for 2008/09	**11,476**	–	–
Final dividend for 2008/09	**1,159**	–	–
Interim dividends for 2009/10	**17,400**	–	–
	30,035	–	–

No dividends were declared or paid during the year ended 31 March 2009.

15 Contingent liabilities

At 31 March 2010, 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.

Appendix

Notes to the financial statements (contd)

16 Obligations under leases

There are no capital commitments at the end of the financial year (2009: £nil).

Operating lease agreements where the Company is lessee

The Company has entered into commercial leases for certain properties and motor vehicles. The duration of leases for motor vehicles is 3 years. The leases for properties have an average duration of between 1 and 35 years. Only the property lease agreements contain an option for renewal, with these options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of the exercise. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2010 **£000**	2009 £000
Not later than one year	**3,388**	3,111
After one year but not more than five years	**6,574**	1,314
After five years	**625**	545
	10,587	4,970

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

The Company has sub-let certain operating leases to third parties. The rental income from these operating leases, including the effect of any lease incentives, is recognised on a straight line basis over the lease term. Under the terms of the M&O contract, rental income received from third parties is transferred to the NDA.

The future minimum sub-lease payments expected to be received under non-cancellable sub-lease agreements as at 31 March 2010 is £2,521,000 (2009: £3,733,000).

17 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 IAS 19. 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 £105,848 (2009: £113,568).

There were no outstanding or prepaid contributions at 31 March 2010 (2009: £nil).

The ESPS is a funded, defined benefit scheme. At 31 March 2010 the Company had 11 employees (2009: 12) 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 2010 on a basis consistent with IAS 19. The results of this valuation are a total fair value of scheme assets of £1,953M (2009: £1,615M) and a deficit of £128M (2009: surplus £36M).

Detailed disclosures in relation to the ESPS are included in the Magnox North Limited statutory accounts for the year ended 31 March 2010, which can be obtained from the registered office, Berkeley Centre, Berkeley, Gloucestershire, GL13 9PB.

Combined Pension Scheme (CPS)

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.

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.

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 £1,850 (2009: £32,053,546). There were outstanding employer contributions of £nil at 31 March 2010 (2009: £nil), which are directly recoverable from the NDA.

Appendix

Notes to the financial statements (contd)

17 Pension schemes (contd)

Schemes accounted for as defined benefit

The Company accounts for two pension schemes as final salary defined benefit pension schemes.

Group Pension Scheme (GPS)

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. The employer contribution rate was 20% in the year ended 31 March 2010.

On 31 March 2007, the GPS was sectionalised into various sections. Following the sectionalisation, these financial statements reflect the Company's share of the IAS 19 assets and liabilities at 31 March 2010 and 31 March 2009 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 2010 and 31 March 2009 respectively by a qualified independent actuary.

There were outstanding employer contributions of £547,357 at 31 March 2010 (2009: £703,808), which are directly recoverable from the NDA.

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 2010. 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 IAS 19 assets and liabilities at 31 March 2010.

An IAS 19 actuarial valuation for the Sellafield section was carried out at 31 March 2010 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.

At 31 March 2010 the Company had 492 employees who were active members of the defined contribution section of the CNPP. The pension charge for the year represents contributions payable by the Company to the CNPP, which are directly recoverable from the NDA and amounted to £872,000 (2009: £47,000).

The following tables summarises the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the statement of financial position for the respective plans:

Net benefit expense, 2010

Recognised in Income Statement within Site Licence Company costs under management	GPS £000	CNPP £000	Total £000
Current service cost	6,752	49,848	56,600
Interest cost on scheme liabilities	15,753	3,675	19,428
Expected return on scheme assets	(14,772)	(4,788)	(19,560)
Past service cost	181	–	181
Curtailments	–	1,485	1,485
Net benefit expense	**7,914**	**50,220**	**58,134**
Recognised in Statement of comprehensive income Net actuarial gain/(loss) recognised in year	**18,457**	**(27,179)**	**(8,722)**

Net benefit expense, 2009

Recognised in Income Statement within Site Licence Company costs under management	GPS £000	CNPP £000	Total £000
Current service cost	8,668	15,815	24,483
Interest cost on scheme liabilities	15,104	259	15,363
Expected return on scheme assets	(16,353)	(359)	(16,712)
Past service cost	308	–	308
Curtailments	–	862	862
Net benefit expense	**7,727**	**16,577**	**24,304**
Recognised in Statement of comprehensive income **Net actuarial (loss) recognised in year**	**(7,489)**	**(2,087)**	**(9,576)**

Appendix

Notes to the financial statements (contd)

17 Pension schemes (contd)

Benefit asset, 2010	GPS £000	CNPP £000	Total £000
Defined benefit obligation	(313,109)	(139,592)	(452,701)
Fair value of plan assets	338,944	146,078	485,022
Benefit asset	**25,835**	**6,486**	**32,321**

Benefit asset, 2009	GPS £000	CNPP £000	Total £000
Defined benefit obligation	(232,653)	(23,842)	(256,495)
Fair value of plan assets	237,686	32,255	269,941
Benefit asset	**5,033**	**8,413**	**13,446**

Benefit asset, as at 1 April 2008	GPS £000	CNPP £000	Total £000
Defined benefit obligation	(248,608)	–	(248,608)
Fair value of plan assets	260,715	–	260,715
Benefit asset	**12,107**	**–**	**12,107**

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	GPS £000	CNPP £000	Total £000
Defined benefit obligation at 1 April 2008	248,608	–	248,608
Interest cost	15,104	259	15,363
Current service cost	8,668	15,815	24,483
Benefits paid	(3,990)	(120)	(4,110)
Actuarial (gains) and losses on obligation	(37,837)	1,138	(36,699)
Past service cost	308	–	308
Employee contributions	1,792	5,888	7,680
Curtailments	–	862	862
Defined benefit obligation at 31 March 2009	**232,653**	**23,842**	**256,495**
Interest cost	15,753	3,675	19,428
Current service cost	6,752	49,848	56,600
Benefits paid	(4,864)	(878)	(5,742)
Actuarial losses	45,415	44,707	90,122
Past service cost	181	–	181
Employee contributions	1,781	16,913	18,694
Curtailments	–	1,485	1,485
Business combinations	15,438	–	15,438
Defined benefit obligation at 31 March 2010	**313,109**	**139,592**	**452,701**

Notes to the financial statements (contd)

17 Pension schemes (contd)

Changes in the fair value of plan assets are as follows:

	GPS £000	CNPP £000	Total £000
Fair value of plan assets at 1 April 2008	260,715	–	260,715
Expected return on plan assets	16,353	359	16,712
Employer contributions	8,142	27,077	35,219
Benefits paid	(3,990)	(120)	(4,110)
Actuarial (losses)	(45,326)	(949)	(46,275)
Contributions by employees	1,792	5,888	7,680
Fair value of plan assets at 31 March 2009	**237,686**	**32,255**	**269,941**
Expected return on plan assets	14,772	4,788	19,560
Employer contributions	7,858	75,472	83,330
Benefits paid	(4,864)	(878)	(5,742)
Actuarial gains	63,872	17,528	81,400
Contributions by employees	1,781	16,913	18,694
Business combinations	17,839	–	17,839
Fair value of plan assets at 31 March 2010	**338,944**	**146,078**	**485,022**

During 2009/10 the Project Services Limited, and British Nuclear Fuels Limited and British Nuclear Group Limited sections of the GPS were transferred into the SLC section. The effect of the transfer is shown in the above tables as 'business combination' entries.

Pension contributions are determined with the advice of independent qualified actuaries on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

Mercer is the actuary of the GPS, and Deloitte Total Reward and Benefits Limited is the CNPP actuary.

At 31 March 2010 the scheme assets were invested in diversified portfolios that consisted primarily of equity and debt securities. The fair value of the scheme assets as a percentage of total scheme assets are set out below:

Group Pension Scheme	**2010**	**2009**
Equities	54%	46%
Bonds	19%	16%
Gilts	27%	38%
Combined Nuclear Pension Plan		
Equities	60%	69%
Bonds & Gilts	30%	30%
Properties and other	10%	1%

The pension schemes have not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company. The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. These are reflected in the principal assumptions below.

The principal assumptions used in determining pension obligations for the Company's plans are shown below:

Main assumptions:	**GPS 2010 %**	GPS 2009 %	**CNPP 2010 %**	CNPP 2009 %
Future salary increases	**4.6**	5.4	**4.1**	3.5
Future pension increases	**3.6**	3.4	**3.6**	3.0
Discount rate	**5.7**	6.7	**5.5**	6.5
Expected rates of return on scheme assets:				
Equities	**7.6**	7.4	**7.4**	6.8
Bonds	**5.7**	6.7	**–**	–
Gilts	**4.6**	4.4	**4.8**	4.8
Properties	**–**	–	**6.4**	5.8
Other	**–**	–	**2.0**	2.0
Inflation assumption	**3.6**	3.4	**3.6**	3.0
Post-retirement mortality (in years)				
Current pensioners at 65 – male	**21.8**	22.0	**21.0**	20.9
Current pensioners at 65 – female	**–**	–	**23.3**	23.2
Future pensioners at 65 – male	**23.6**	23.1	**22.2**	22.1
Future pensioners at 65 – female		–	**24.3**	24.3

Notes to the financial statements (contd)

17 Pension schemes (contd)

The UK discount rate is based on published indices for 15 year AA bonds. The expected rates of return on equities add a premium of between 2% and 4% to longer term government bond rates in each jurisdiction. The expected rate of return on bonds is a weighted average reflecting the mix of government, index-linked and corporate bonds held by the pension funds. Property returns are based on published indices and reflect longer term performance. The assumptions for inflation and for increases in pension are based on the yield gap between long term index-linked and long term fixed interest gilt securities. Mortality rates for the GPS are based on S1NA light year of birth tables (plus 1 year age rating for males) (2009: PA92 year of birth tables). As at 31 March 2010, mortality rates for the CNPP are based on PCMA/PCFA00 mc (Year of birth) mortality tables. For both schemes, mortality assumptions have been adjusted to reflect recent experience in the schemes, and projected improvements in life expectancy assumed to continue until 2020 with minimum improvement thereafter.

The post-retirement mortality assumptions allow for expected increases to longevity. The 'current' disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with 'future' being that relating to an employee retiring in 2025.

A one percentage point change in the assumed discount rate would have the following effects:

Group Pension Scheme	Increase £000	Decrease £000
2010		
Effect on the aggregate current service cost and interest cost	(2,434)	2,800
Effect on the defined benefit obligation	(62,622)	75,146
2009		
Effect on the aggregate current service cost and interest cost	(2,805)	3,268
Effect on the defined benefit obligation	(46,531)	55,837

Combined Nuclear Pension Plan	Increase £000	Decrease £000
2010		
Effect on the aggregate current service cost and interest cost	(14,438)	18,691
Effect on the defined benefit obligation	(31,633)	40,901
2009		
Effect on the aggregate current service cost and interest cost	(4,878)	6,319
Effect on the defined benefit obligation	(5,403)	6,986

The most recently completed actuarial valuation of the GPS scheme was carried out as at 31 March 2007. Following the valuation, the Company's ordinary contribution rate increased, with effect from 1 April 2009, from 14.0-14.9% of pensionable salaries to 20%. The next valuation is due to be completed as at 31 March 2010.

During the year ended 31 March 2010, the Company's employer contribution rate for the CNPP scheme was 23.2% of pensionable salaries. The employer contribution rate is 22% with effect from 1 April 2010. These are the contributions recommended by the actuary prior to the start of the Sellafield section of the scheme on 24 November 2008. The next valuation is due to be completed as at 31 March 2010.

The Company will monitor funding levels on an annual basis for both the GPS and CNPP.

Employer contributions in the year ended 31 March 2010 are expected to be £7,000,000 (2009: £6,739,000) in respect of the GPS scheme and £70,000,000 (2009: £73,620,000) in respect of the CNPP defined benefit pension plan.

The levels of contributions are based on the current service costs and the expected future cash flows of the defined benefit schemes. The Company estimates the present value of the duration of UK scheme liabilities on average to fall due over 20-25 years.

Amounts for the current and previous three periods are as follows:

Group Pension Scheme	2010 £M	2009 £M	2008 £M	2007 £M
Defined benefit obligation	(313)	(233)	(249)	(243)
Plan assets	339	238	261	218
Surplus/(deficit)	26	5	12	(25)

Combined Nuclear Pension Plan	2010 £M	2009 £M	2008 £M	2007 £M
Defined benefit obligation	(140)	(24)	–	–
Plan assets	146	32	–	–
Surplus/(deficit)	6	8	–	–

Notes to the financial statements (contd)

18 Related party disclosures

During the year ended 31 March 2009, 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 ended 31 March 2009, 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 ended 31 March 2009, the Company entered into transactions in the ordinary course of business with other entities within the British Nuclear Fuels Limited (BNFL) 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. These amounts were paid during the year ended 31 March 2010, and since 24 November 2008 entities within the BNFL group have not been related parties of the Company under IAS 24.

During the year the Company incurred costs of £8,463,000 from its parent company in respect of the cost of directors and senior managers seconded from NMP to the Company. During the period 24 November 2008 to 31 March 2009 the Company accrued costs of £3,211,000 from its parent company, NMP, in respect of the cost of directors and senior managers seconded from NMP to the Company. The amount owed to NMP at 31 March 2010 was £2,662,000 (2009: £3,211,000).

There were no other transactions with NMP except for dividends.

URS International Holdings (UK) Limited (formerly Washington International Holdings Limited), AMEC Nuclear Holdings Limited and Areva-NC, and other entities within their groups, are considered to be related parties of the Company. During the year ended 31 March 2010 the Company entered into transactions in the ordinary course of business with these related parties resulting in purchases of £44,182,000 (2009: £51,126,000). At 31 March 2010 the Company owed £11,918,000 (2009: £11,930,000) 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 2010 the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2009: £nil).

NDA is also considered to be a related party of the Company. During the year the Company earned fees of £47 million on M&O contracts with the NDA (2009: £19 million, 2008: £35 million) and incurred costs of £1,426 million (2009: £1,283 million, 2008: £1,217 million). These costs were reimbursed by the NDA under the terms of the M&O contracts. At 31 March 2010 the Company had debtors of £254 million with the NDA in respect of fees and working capital recoverable under the M&O contracts (2009: £237 million, 2008: £214 million).

Compensation of key management of the Company

Under the terms of IAS 24 'Related Party disclosures', the key management personnel are those persons who have the authority and responsibility for 'planning, directing and controlling the activities of the entity'. The directors consider that the key management personnel of the Company are the directors and other senior managers seconded from NMP and its shareholders. The costs associated with the key management personnel are set out in the table below, and where appropriate include an uplift to cover detached duties in the UK, tax equalisation and exchange rate fluctuations:

NMP secondees	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Short-term employee benefits	8,463	3,211
Post-employment pension and medical benefits	0	0
	8,463	**3,211**

The costs for the year ended 31 March 2009 only represent the period from 24 November 2008 to 31 March 2009.

Previous executive	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Short-term employee benefits	–	1,141
Post-employment benefits	–	155
Termination benefits	–	6,380
	–	**7,676**

Notes to the financial statements (contd)

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

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

Since 24 November 2008, NMP 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.

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 Limited. The consolidated financial statements of British Nuclear Fuels Limited are available to the public and may be obtained from 1 Victoria Street, London, SW1H 0ET.

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).

20 Derivatives and other financial instruments

As explained in Note 2.3 (m), 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.

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). Fair values have been based on published market prices (for listed instruments) or estimates made from discounted cash flow analysis (for unlisted instruments).

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorder fair value that are not based on observable market data.

Fair values	**2010 £M**	2009 £M
Assets measured at fair value		
Financial assets at fair value through profit and loss		
Foreign exchange forward contracts – Level 2	**15**	31

Fair values	**2010 £M**	2009 £M
Liabilities measured at fair value		
Financial assets at fair value through profit and loss		
Foreign exchange forward contracts – Level 2	**–**	16

Appendix

Notes to the financial statements (contd)

20 Derivatives and other financial instruments (contd)

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 19), 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 2010, the Company had repaid all funds drawn-down from the facility and had a £nil balance owing to NMP.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury function in accordance with Company policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

21 Post Balance Sheet Events

An interim dividend of £6,000,000 was declared by the Board on 20 May 2010 and paid to the shareholder on 25 May 2010.

22 Transition to IFRS

For all periods up to and including the year ended 31 March 2009, the Company prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 March 2010, are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Accordingly, the Company has prepared financial statements which comply with IFRSs applicable for periods beginning on or after 1 April 2009 as described in the accounting policies. In preparing these financial statements, the Company opening statement of financial position was prepared as at 1 April 2008, the Company's date of transition to IFRS. This Note explains the principal adjustments made by the Company in restating its UK GAAP statement of financial position as at 1 April 2008 and its previously published UK GAAP financial statements for the year ended 31 March 2009.

Exemptions applied

IFRS 1 *First-Time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain IFRSs effective for March 2010 year-ends.

The Company applied the following exemptions:

- Cumulative actuarial gains and losses on pensions are recognised in full in equity at the date of transition to IFRS. As this is the same treatment as under UK GAAP, the only difference recorded on transition relates to the measurement of assets at bid price.

Appendix

Notes to the financial statements (contd)

22 Transition to IFRS (contd)

Reconciliation of profit and loss account from UK GAAP to IFRS for the year ended 31 March 2009

	Previously reported under UK GAAP £M	IAS 19 Employee Benefits & IFRIC 14 £M	IAS 32 Financial instruments £M	Restated under IFRS £M
Gross fees and reimbursement of Site Licence Company costs	1,300	2	–	1,302
Less: Site Licence Company costs	(1,281)	(2)	–	(1,283)
Revenue	**19**	**–**	**–**	**19**
Operating costs and expenses (excluding exceptional items)	(4)	–	–	(4)
Exceptional costs included within operating costs and expenses	(29)	–	–	(29)
Total operating costs and expenses	(33)	–	–	(33)
Operating loss from continuing operations	**(14)**	**–**	**–**	**(14)**
Finance revenue	–	–	–	–
Loss on continuing operations before taxation	**(14)**	**–**	**–**	**(14)**
Tax credit	12	–	–	12
Loss for the year	**(2)**	**–**	**–**	**(2)**

Reconciliation of statement of comprehensive income from UK GAAP to IFRS for the year ended 31 March 2009

	Previously reported under UK GAAP £M	IAS 19 Employee Benefits & IFRIC 14 £M	IAS 32 Financial instruments £M	Restated under IFRS £M
Loss for the year	**(2)**	**–**	**–**	**(2)**
Other comprehensive income:				
Actuarial loss recognised on defined benefit scheme plans	**(9)**	**–**	**–**	**(9)**
Actuarial loss de-recognised due to IFRIC 14	**9**	**–**	**–**	**9**
Other comprehensive income for the year, net of tax	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**(2)**	**–**	**–**	**(2)**
Total comprehensive income attributable to:				
Equity holders of the company	(2)	–	–	(2)

Appendix

Notes to the financial statements (contd)

22 Transition to IFRS (contd)

Reconciliation of equity from UK GAAP to IFRS as at 31 March 2009

Assets	Previously reported under UK GAAP £M	IAS 19 Employee Benefits & IFRIC 14 £M	IAS 32 Financial instruments £M	Restated under IFRS £M
Non-current assets				
Investments	–	–	–	–
Defined benefit pension plan surpluses	13	(13)	–	–
Deferred tax assets	26	–	–	26
	39	**(13)**	**–**	**26**
Current assets				
Trade and other receivables	226	15	4	245
Cash and short term deposits	9	–	–	9
	235	**15**	**4**	**254**
Total assets	**274**	**2**	**4**	**280**
Current liabilities				
Trade and other payables	(230)	(15)	(4)	(249)
Non-current liabilities				
Other payables	(32)	13	–	(19)
Total liabilities	**(262)**	**(2)**	**(4)**	**(268)**
Net assets	**12**	**–**	**–**	**12**
Equity				
Equity share capital	33	–	–	33
Retained earning	(21)	–	–	(21)
Total equity	**12**	**–**	**–**	**12**

Reconciliation of equity from UK GAAP to IFRS as at 1 April 2008

Assets	Previously reported under UK GAAP £M	IAS 19 Employee Benefits & IFRIC 14 £M	IAS 32 Financial instruments £M	Restated under IFRS £M
Non-current assets				
Investments	–	–	–	–
Defined benefit pension plan surpluses	12	(12)	–	–
Deferred tax assets	14	–	–	14
	26	(12)	–	14
Current assets				
Trade and other receivables	239	13	2	254
Cash and short term deposits	–			–
	239	13	2	254
Total assets	**265**	**1**	**2**	**268**
Current liabilities				
Trade and other payables	(239)	(13)	(2)	(254)
Non-current liabilities				
Other payables	(12)	12	–	–
Total liabilities	**(251)**	**(1)**	**(2)**	**(254)**
Net assets	**14**	**–**	**–**	**14**
Equity				
Equity share capital	33	–	–	33
Retained earning	(19)	–	–	(19)
Total equity	**14**	**–**	**–**	**14**

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