

Registered number  
SC307493

# Dounreay Site Restoration Limited

## Annual Report

Year ended 31 March 2010

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# Directors report

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The Directors present their report and the audited financial statements of Dounreay Site Restoration Limited (“the Company”) for the year ended 31 March 2010.

## Principal activities

The Company is the site licence company responsible for delivering the safe clean up, decommissioning and demolition of the UK’s former centre of fast reactor research and development at Dounreay, Caithness. The Company operates under contract to the Nuclear Decommissioning Authority (NDA).

The Company is a wholly owned subsidiary of UKAEA Limited, a company incorporated in England and Wales. On 31st October 2009 UKAEA Ltd became a wholly owned subsidiary of Babcock International Group PLC.

## Business review

The company continues to deliver hazard reduction in line with the Life Time Plan under the Management and Operations contract with the NDA. A schedule performance index (SPI) of 0.988 was achieved for the year which is the highest achieved by the site since the creation of the NDA. The cost performance index (CPI) also showed a significant improvement over 2008/09. As a result the company has earned more fee in 2009/10 than in 2008/09.

Key achievements are :-

- We continued the destruction of the Sodium Potassium (NaK) coolant at the Dounreay Fast Reactor. This material, which is planned to be destroyed over 335 batches up to February 2013, is the highest hazard on Site.
- During 2009/10 we cemented a further 100m<sup>3</sup> of Material Test Reactor raffinate in stainless steel drums for long term storage.
- In March 2010 we received approval from the NDA to start the procurement process for a Low Level Waste Repository. This will be the first such repository out with Cumbria.

The company gives the highest priority to safety, environmental and security performance. Industrial safety performance has continued to improve through 2009/10 with no lost time accidents resulting in greater than 3 days absence and with reductions in the days away case rate (DACR) and the total recordable incident rate (TRIR). The company’s safety performance was recognised by the British Safety Council’s award of a five star Sword of Honour for 2009. The company has a safety improvement programme in place to deliver continual improvement in performance in line with best practice. An Internal Assessment Team reporting to the Director of Assurance provides internal scrutiny of performance; the planned programme of audits and inspections for 2009/10 was met and improvements have been achieved via corrective actions, with close out performance being monitored by the executive team.

Nuclear safety is a fundamental component of the company’s safe system of work, which is reflected in the low dose accrued by staff and contractors. The safe system of work provides a multi tiered oversight depending on the nuclear hazard. However, two redundant Californium 252 neutron sources, contained within a flask, were transported in November 2009 without the correct controls in place. The internal investigation has resulted in a strengthening of the arrangements for handling redundant sources. The company awaits the outcome of the NII investigation and report.

# Directors report

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## Future developments

The company continues to work to a Life Time Plan which is agreed with the NDA and which sets out detailed plans for decommissioning of the site up to and beyond the Interim End State which is currently expected to be achieved in 2025. However, in early 2010 the NDA instructed the company to realign the Life Time Plan in line with a reduced funding profile of £150m per annum from 2011/12.

In March 2009 the NDA issued a contract notice for the competition for the Parent Body Organisation for the company. The process is expected to lead to the announcement of a preferred bidder during 2011, with completion in early 2012. The company will be working closely with the NDA to support this process.

## Financial risk management

Due to the nature of its activities, the Company is not exposed to the same degree of financial risk faced by other business entities. Financial instruments play a limited role in creating or changing risk and generally financial assets and liabilities are generated from day to day operational activities and are not held to change the risks facing the Company in undertaking its activities.

The costs incurred by the Company are reimbursed by the NDA on a monthly basis and therefore the Company does not have significant exposure to price, credit, liquidity or cash flow risk. The Company has access to working capital funding from its parent company to meet any temporary cash flow shortages.

## Results and Dividends

The Company's profit after taxation amounted to £107,235 in 2009/10. A dividend of £531,299 per share is proposed and, if approved, will be paid following receipt by the Company of the balance of the 2009/10 performance fee receivable under the contract with the NDA.

Following the final fee settlement with the NDA, a dividend of £355,796 (£355,796 per share) was paid in respect of 2008/09.

## Charitable Donations

During the year the Company made charitable donations of £49,732 to national and local charities serving the communities in which the Company operates. These donations were made from funding provided by the NDA and UKAEA Limited.

# Directors report

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## Directors

The Directors who held office during the year, unless otherwise stated, are shown below:

Stephen White, OBE (Chairman)  
Simon Middlemas, OBE  
Colin Bayliss – resigned 11 November 2009  
Philip Colville  
Charles Curtis, OBE  
Leslie Mitchell  
Tony Wratten

## Qualifying third party indemnity provision

Under the Articles of Association the Directors of Dounreay Site Restoration Ltd are, and were, during the year ended 31<sup>st</sup> March 2010, entitled to be indemnified by Dounreay Site Restoration Ltd against liabilities and costs incurred in connection with the execution of their duties, or the exercise of their powers, to the extent permitted by the companies Act 2006.

## Research and development

The Company works with the Nuclear Decommissioning Authority, and other Site Licence Companies in the NDA's knowledge management network learning across the NDA estate, to improve decommissioning and to identify opportunities for joint working. Research and development work is embedded within projects and is focused on supporting decommissioning and hazard reduction.

## Employees

The Company does not discriminate on the grounds of age, sex, ethnic origin, religious or philosophical belief, sexual orientation, trade union membership or disability. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees and their representatives occurs at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the Company. Communication with all employees continues through the in-house newsletters, briefing groups and the distribution of the annual report.

# Directors report

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## Retirement benefits

As set out in note 15 to the financial statements there have been changes to the retirement benefits provided to employees. Following the purchase of UKAEA Ltd by Babcock International group plc on 31<sup>st</sup> October 2009, the Dounreay Site Restoration Limited employees who had been in the UKAEA Combined Pension Scheme (CPS) transferred to the Combined Nuclear Pension Plan (CNPP). As required under the Energy Act 2004, the CNPP provides benefits that are equivalent to the CPS. However, the employer contributions to the CNPP is 22% of salary and pensionable allowances, compared with the CPS contributions of 16.2%.

Employees who joined the company after 31<sup>st</sup> October 2009 became members of a defined contribution scheme with employer's contributions ranging from 8% to 13.5%.

## Policy and practice on payment of creditors

It is the Company's policy to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders and suppliers are made aware of these payment conditions. Payment becomes due when an invoice has been received and it can be confirmed that goods and/or services have been provided in accordance with relevant contractual conditions.

The Company's trade creditors as a proportion of amounts invoiced by suppliers represented 15 days at 31 March 2010, (9 days at 31 March 2009).

## Disclosure of information to the Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions section 418 of the Companies Act 2006.

By order of the Board

Philip Colville  
Company Secretary  
20 May 2010

## Statement of Directors' responsibilities

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The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Auditor's report on financial statements

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## **Independent Auditor's Report to the Members of Dounreay Site Restoration Limited**

We have audited the financial statements of Dounreay Site Restoration Limited for the year ended 31 March 2010, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Recognised Gains and Losses, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, 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.

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

# Auditor's report on financial statements

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## **Opinion on other matters 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.

Philip Harrold (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands

3 June 2010

# Profit and loss account

for the year ended 31 March 2010

	Note	2010 £000	2009 £000
Turnover	4	160,211	148,113
Other income		199	805
		<b>160,410</b>	<b>148,918</b>
Raw materials and consumables		(22,541)	(16,931)
Other external charges		(73,708)	(70,650)
Staff costs	5	(49,251)	(42,668)
Other operating charges		(14,445)	(18,129)
		<b>(159,945)</b>	<b>(148,378)</b>
<b>Operating profit</b>	7	<b>465</b>	<b>540</b>
Interest receivable		15	240
Other finance charges	8	–	–
<b>Profit on ordinary activities before taxation</b>		<b>480</b>	<b>780</b>
Tax on profit on ordinary activities	9	(373)	–
<b>Profit for the year</b>		<b>107</b>	<b>780</b>

All amounts relate to continuing operations.

## Statement of total recognised gains and losses

	Note	2010 £000	2009 £000
Total gains and losses recognised in the financial year		107	780
Actuarial loss in the Combined Nuclear Pension Plan	15	(236)	–
Actuarial loss to the detriment of the NDA	15	236	–
<b>Total gains and losses recognised since the last Annual Report and Accounts</b>		<b>107</b>	<b>780</b>

The notes on pages 11 to 24 are an integral part of these financial statements.

# Balance sheet

at 31 March 2010

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	Note	2010 £000	2009 £000
<b>Current assets</b>			
Debtors (including £1,989,000 (2009, £2,099,000) due after one year)	11	28,893	31,281
Current asset investments	12	–	2,856
Cash at bank and in hand		5,290	3,218
		34,183	37,355
Creditors: amounts falling due within one year	13	(31,382)	(34,101)
<b>Net current assets</b>		<b>2,801</b>	<b>3,254</b>
Provisions for liabilities and charges	14	(2,162)	(2,474)
<b>Net assets excluding pension liability</b>		<b>639</b>	<b>780</b>
Defined benefit pension liability	15	(108)	–
<b>Net assets</b>		<b>531</b>	<b>780</b>
<b>Capital and reserves</b>			
Share capital	17	–	–
Profit and loss reserve	18	531	780
<b>Total Shareholders Funds</b>		<b>531</b>	<b>780</b>

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The notes on pages 11 to 24 are an integral part of these financial statements.

The financial statements on pages 8 to 24 were approved by the Board of Directors on 20<sup>th</sup> May 2010 and were signed on its behalf by:

Tony Wratten  
Director

# Cash Flow Statement

for the year ended 31 March 2010

	<b>Note</b>	<b>2010 £000</b>	<b>2009 £000</b>
<b>Net cash flow from operating activities</b>	20	(70)	5,834
<b>Net cash inflow from returns on investment and servicing of finance</b>			
Interest received		15	240
<b>Taxation</b>			
Corporation Tax paid		(373)	–
<b>Equity dividends paid</b>		(356)	–
<b>Net cash flow before management of liquid resources and financing</b>		(784)	6,074
<b>Financing</b>			
Decrease/(increase) in short term deposits		2,856	(2,856)
<b>Increase in cash</b>		2,072	3,218
		<b>2010 £000</b>	<b>2009 £000</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase in cash		2,072	3,218
Cash (outflow)/inflow from (reduction/)/increase in short term deposit		(2,856)	2,856
Change in net funds resulting from cash flows		(784)	6,074
Net funds at 1 <sup>st</sup> April 2009	21	6,074	–
Net funds at 31 <sup>st</sup> March 2010	21	5,290	6,074

# Notes to the financial statements

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## 1 General information

Dounreay Site Restoration Limited (“the Company”) is a limited company incorporated in Scotland. The address of its registered office is D2003, Dounreay, Caithness KW14 7TZ.

These financial statements were authorised for issue by the Board of Directors on 20 May 2010.

## 2 Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The risks and benefits associated with expenditure on intangible and tangible fixed assets by the Company lie with Nuclear Decommissioning Authority (NDA). In accordance with FRS 5, this expenditure is treated as revenue expenditure in these financial statements. The expenditure is capitalised in NDA’s financial statements.

## 3 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

### 3.1 Turnover

The Company recognises turnover when the amount of revenue can be reliably measured, it is probable that future economic benefits will be received and when specific criteria have been met for each of the Company’s activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Revenue is shown net of value added tax, returns, rebates and discounts.

#### (a) Cost recovery contracts

Revenue from cost recovery contracts is recognised to the extent of costs incurred in the period that are expected to be recoverable. Revenue related to fees receivable under these contracts is recognised to the extent of the annual performance based initiatives and efficiency savings achieved.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in turnover in the period in which the circumstances that give rise to the revision become known.

# Notes to the financial statements

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## (b) Rental income

Rental income is recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

## 3.2 Research expenditure

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

## 3.3 Employee benefits

### (a) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are recognised in the period in which the related service is provided. A liability is recognised for the amount expected to be paid under short-term bonus arrangements if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably.

### (b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

### (c) Retirement benefits

Obligations for contributions to defined contribution schemes are recognised as an expense when they are due. The Company has no further payment obligations once the contributions have been paid.

The Company participated in the UKAEA Combined Pension Scheme (CPS) up until the Sale of UKAEA Ltd to Babcock International Group on 31<sup>st</sup> October 2009. The CPS is an unfunded multi-employer defined benefit scheme. It was not possible to determine the Company's share of any underlying assets and liabilities in the scheme on a consistent and reasonable basis and the scheme is accounted for as a defined contribution scheme in these financial statements.

From 31st October 2009 the existing employees became members of the Combined Nuclear Pension Plan (CNPP). The CNPP offers both a defined benefit scheme to eligible workers in the nuclear decommissioning industry, and a defined contribution scheme to new starts within the industry. The benefits of the CNPP defined benefits plan are identical to the equivalent CPS defined benefit scheme.

# Notes to the financial statements

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The CNPP is a funded, multi employer plan with both defined benefit and defined contribution plans. Separately administered and identified funds are held for each employer within the plan. The Company contributes to the CNPP at rates recommended by the CNPP's professionally qualified actuaries.

As a result the CNPP defined benefits plan is accounted for as a defined benefit plan, therefore these Financial Statements reflect the Company's share of the FRS 17 assets and liabilities at 31<sup>st</sup> March 2010.

A FRS 17 actuarial valuation for the Dounreay Site Restoration Limited section of the plan was carried out at 31<sup>st</sup> March 2010 by a qualified independent actuary.

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

The deficit on the CNPP is recognised in full, with a corresponding recovery from the NDA for the full value of the deficit, shown in these statements as a long term debtor. The movements in the CNPP, after taking account of any amounts due from the NDA, are split between operating charges within the Profit and Loss Account, and actuarial losses within the Statement of Total Recognised Gains and Losses.

## **3.4 Foreign currency translation**

Transactions in foreign currencies are translated to the functional currency of the Company using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rates at that date. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities are recognised in the profit and loss account.

## **3.5 Current and deferred income tax**

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that there will be suitable taxable profit from which the future reversal of the timing differences can be deducted.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

# Notes to the financial statements

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## 3.6 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using real rates of interest. The increase in the provision due to passage of time is recognised as a finance charge.

Where assurances have been received from another party that they will reimburse some or all of the expenditure required to settle a provision, a debtor will be recognised to the extent of the amount expected to be reimbursed. The reimbursement debtor is shown separately from the related provision on the balance sheet.

## 3.7 Operating leases

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

## 3.8 Derivative financial instruments

Derivative financial instruments comprise financial instruments held to hedge foreign currency risk exposure. They are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently re-measured at their fair value. Changes in fair value are taken to the profit and loss account.

## 4 Turnover

The Company's activities consist solely of managing the clean-up and demolition of the fast reactor research site at Dounreay, Caithness under contract to the NDA. All turnover relates to the United Kingdom other than £92,868 which relates to Canada.

# Notes to the financial statements

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## 5 Staff costs

	Note	2010 £000	2009 £000
Salaries, bonuses and allowances		36,167	34,723
Restructuring curtailment costs	15	1,865	–
Restructuring other		2,366	135
Social security costs		2,979	2,932
Defined benefit pension contribution - CPS	15	2,723	4,761
Defined benefit pension current service costs - CNPP	15	2,891	–
Defined contribution pension cost - Shift Pay Pensions Savings Plan	15	139	117
Defined contribution pension cost - CNPP	15	121	–
<b>Total Staff Costs</b>		<b>49,251</b>	<b>42,668</b>

	2010	2009
Average number of full-time equivalent employees	947	940

There were no directors employed on a service contract in the company.

## 6 Directors' emoluments

Directors	2010 £000	2009 £000
Aggregate emoluments	142	140
Company contributions to defined benefit pension schemes	20	17
	162	157

Retirement benefits are accruing to 1 (2009 – 1) Director under a defined benefit scheme. This Director made no contributions to a defined contribution scheme and therefore has no accrued benefits under any defined contribution scheme.

Mr White and Mr Bayliss (until he retired on 11<sup>th</sup> November 2009) were employed by UKAEA Ltd and were contracted to the company as non executive directors. Mr Middlemas and Mr Colville were employed by UKAEA Ltd and were seconded to the company. The company receives a charge from UKAEA Ltd in respect of the services provided by these four directors which in 2009/10 amounted to £440,183 (2008/09 £425,500). There was no payment of fee or salary made by the company to any of the directors employed by UKAEA Ltd.

There was no compensation paid to any director for loss of office.

# Notes to the financial statements

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## 7 Operating profit

Operating profit has been arrived at after charging/(crediting):

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Fair value loss/(gain) on foreign exchange contract	197	(197)
Other net foreign exchange losses	241	25
Operating lease rentals payable:		
– Plant and machinery	41	44
Audit fees	25	30

## 8 Other finance charges

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Revalorisation of provisions:		
– Change in price levels (Note 14)	–	19
– Unwinding of discount (Note 14)	46	57
– Escalation of reimbursement debtor	(46)	(76)
	–	–

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## 9 Taxation

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax</b>		
UK corporation on profit for the year	27	–
Adjustment in respect of previous year	346	–
<b>Total UK Corporation Tax payable</b>	<b>373</b>	<b>–</b>

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The tax on the company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company, as follows:

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before tax	480	780
Tax on profit on ordinary activities before tax at the standard UK corporation tax rate of 28%	134	219
Effects of		
– Group relief for nil consideration	–	(346)
– Expenses not deductible for tax purposes	9	11
– Pensions costs relief in excess of pension costs	(116)	116
<b>Current tax charge for the year</b>	<b>27</b>	<b>–</b>

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# Notes to the financial statements

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The Company's 2008/09 accounts were prepared on the assumption that the tax liabilities on the profit could be offset by losses elsewhere within the United Kingdom Atomic Energy Authority Group, through Group relief. Subsequently HMRC ruled that due to the influence that the NDA holds over the ownership of the Company, group relief would not be available.

## 10 Dividends

The Directors have proposed a dividend for the year ended 31 March 2010 of £531,299 per share which will amount to £531,299. This dividend has not been accounted for within these financial statements as it has yet to be approved.

## 11 Debtors

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	717	2,509
Amounts due from group undertakings	17	132
Reimbursement debtor (Note 14)		
Due within one year	282	377
Due after one year	1,880	2,097
Prepayments and accrued income	25,857	18,378
Derivative financial instruments	–	197
Other debtors		
Due within one year	31	7,589
Due after one year - other	1	2
Due after one year - Pension liability to the detriment of the NDA (see Note 15)	108	–
	<hr/> 28,893	<hr/> 31,281

## 12 Current asset investments

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Short-term deposits	–	2,856

## 13 Creditors: amounts falling due within one year

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	4,176	1,375
Amounts payable to group undertakings	5,293	7,307
Accruals	14,676	11,455
Tax and social security	3,885	2,591
Other creditors	3,352	11,373
	<hr/> 31,382	<hr/> 34,101

Amounts owed to group undertakings are non interest bearing, unsecured trade creditor invoices, payable in line with agreed credit terms within the group.

# Notes to the financial statements

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## 14 Provisions for liabilities and charges

	<b>Restructuring £000</b>
At 1 April 2009	2,474
Changes in price levels	–
Unwinding of discount	46
Utilised during year	(351)
Other changes	(7)
<b>At 31 March 2010</b>	<b>2,162</b>

The restructuring provisions represent termination benefits payable under early retirement arrangements to employees who had retired early, or had accepted early retirement, before 31st October 2009. These benefits continue at least until the date at which the employee would have reached normal retirement age. The restructuring provisions are discounted at 2.2% to the balance sheet date. The undiscounted cost of the provisions is £2,550k and the benefits are estimated to be payable over a period up to 23 years.

The NDA has agreed to reimburse the restructuring costs incurred by the Company where these have arisen from the reorganisation of the UKAEA Group's structure in advance of competition in the nuclear decommissioning industry. On the basis of this reimbursement arrangement, a debtor has been included on the balance sheet.

With effect from 31<sup>st</sup> October 2009, the company pays the CNPP the actuarially calculated total early retirement costs, which the company then recovers from the NDA. There is therefore no long term commitment on the company to continue to pay ongoing benefits to former employees. There is therefore no requirement to create long term provisions for early retirement costs from 31<sup>st</sup> October 2009.

## 15 Retirement benefits

### (a) Defined benefit schemes

#### CPS up until 31<sup>st</sup> October 2009

Until 31 October 2009, the company participated in the United Kingdom Atomic Energy Authority Combined Pension Scheme (CPS). In common with public sector pension schemes, the CPS did not have many of the attributes of normal pension schemes. It was not possible to determine the company's share of any underlying assets and liabilities in the scheme on a consistent and reasonable basis, and the scheme is accounted for as a defined contribution scheme in these accounts.

# Notes to the financial statements

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CNPP from 31<sup>st</sup> October 2009

When the Parent Body of Dounreay Site Restoration Ltd, UKAEA Ltd, was acquired by Babcock International Group plc on 31<sup>st</sup> October 2009, the company's employees were no longer able to participate in the Combined Pensions Scheme (CPS), and became members of the Combined Nuclear Pension Plan (CNPP).

The CNPP has separately administered funds and with effect from 31<sup>st</sup> October 2009 has been funded by contributions partly from employees and partly from the Company. The benefits of the CNPP defined benefits plan are identical to the CPS equivalent defined benefits schemes. The Company contributes to the CNPP at rates recommended by the CNPP's professionally qualified actuaries.

The employers' contributions were 22% for the year ended 31<sup>st</sup> March 2010. The principal employer for the CNPP is the NDA.

The CNPP is sectionalised by employer and there is a specific section for the Company, and therefore it is accounted for as a defined benefit scheme. Thus these Financial Statements reflect the Company's share of the FRS 17 assets and liabilities at 31<sup>st</sup> March 2010.

An FRS 17 actuarial valuation for the Dounreay Site Restoration Limited section of the CNPP was carried out at 31<sup>st</sup> March 2010 by a qualified independent actuary.

(b) Defined contribution plans

Employees who joined the Company after 31<sup>st</sup> October 2009 became members of the CNPP. However they did not become members of the defined benefit plan under the CNPP but became members of a defined contribution pension plan administered by the CNPP.

Employer contributions to the defined contribution plan of the CNPP vary from 8% up to a maximum of 13.5%, and are dependent on the percentage contribution made by the employee to the scheme. Total employer contributions to the CNPP Defined Contribution Plan was £121k.

(c) Other schemes

Employees of the Company who are members of the defined benefit scheme can also contribute to two defined contribution schemes, the Additional Voluntary Contribution (AVC) scheme and the Shift Pay Pension Savings Plan (SPPP) scheme. These are fully insured schemes administered by Prudential Assurance Company Ltd to whom contributions are paid.

No employer contributions are made to the AVC scheme. Employer contributions to the SPPP scheme, which are directly linked to shift pay earnings, are charged to the profit and loss account at the time the shift pay is paid. The total contributions recognised by the Company during the year amounted to £139k.

# Notes to the financial statements

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## Combined Nuclear Pension Plan

Those Dounreay Site Restoration Ltd Employees who were members of the CPS, became members of the CNPP on 31<sup>st</sup> October 2010. The FRS17 actuarial valuation of the defined benefits plan as at 31<sup>st</sup> March 2010 was carried out by a qualified independent actuary.

	<b>As at year end 31/03/2010 £000's</b>
<b>Amounts recognised in balance sheet</b>	
Present value of funded obligations	(5,566)
Fair value for plan assets	5,458
Defined benefit plan deficit	<u>(108)</u>
	<b>As at year end 31<sup>st</sup> March 2010 £000's</b>
<b>Change in benefit obligation</b>	
Benefit obligation at beginning of period	–
Current service cost	(2,895)
Employee contributions	(675)
Interest Cost	(40)
Actuarial losses	(266)
Curtailments	(1,865)
Benefits paid	175
Benefit obligations at period end	<u>(5,566)</u>
<b>Change in plan assets</b>	
Fair value of plan assets at beginning of period	–
Expected return on plan assets	44
Employer contributions - normal	2,794
Employer contributions - special	2,090
Employee contributions	675
Actuarial gains	30
Benefits paid	(175)
Fair value of plan assets at end of period	<u>5,458</u>
	<b>As at year end 31<sup>st</sup> March 2010 £000's</b>
<b>Components of pension cost</b>	
Current service costs	(2,895)
Interest cost	(40)
Expected return - interest on plan assets	44
Curtailments	(1,865)
Total pension costs recognised in the P & L account	<u>(4,756)</u>
Actual return less expected return on plan assets	30
Changes in assumptions underlying the present value of the plan liabilities	(266)
Actuarial loss	(236)
Total pension cost recognised in the STRGL	<u>(236)</u>

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

# Notes to the financial statements

## Plan assets

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

Asset category	Plan assets 31 <sup>st</sup> March 2010	
		£000's
Equities	7.40%	2,727
Bonds	4.80%	1,372
Property	6.40%	446
Other	2.00%	913
		<u>5,458</u>

	At year end 31 <sup>st</sup> March 2010
	£000's
Actual return on plan assets	74

Weighted average assumption used to determine benefit obligations at;	31 <sup>st</sup> March 2010
Rate of increase in salaries	4.10%
Rate of Increase in pensions payment	3.60%
Discount rate	5.50%
Inflation assumption (RPI)	3.60%
Mortality	PCXA00 (B=YOB) mc k=110%
Post retirement mortality (in years)	
Current pensioner at 65 - male	21.0
Current pensioner at 65 - female	23.3
Future pensioner at 65 (now 45) - male	22.2
Future pensioner at 65 (now 45) - female	24.3

History of net deficit of the plan	Financial year ending in 2010
	£000's
Benefit obligation at end of year	(5,566)
Fair value of plan assets at end of year	5,458
Deficit	<u>(108)</u>

History of experience of gains and losses	Financial year ending in 2010
Difference between expected and actual return on plan assets:	
Amount (£000's)	30
Percentage of plan assets	0.5%
Experience gains and losses on plan liabilities:	
Amount (£000's)	-
Percentage of plan liabilities	-
Total actuarial (loss):	
Amount (£000's)	(236)
Percentage of plan liabilities	4%

## Contributions

The company expects to contribute 22% of pensionable pay to the plan in the year beginning 1 April 2010 in line with actuarial advice.

# Notes to the financial statements

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## 16 Operating leases

Non-cancellable annual operating lease rentals are payable as follows:

	2010 £000	2009 £000
Within one year	9	13
Within two and five years	20	2
After more than five years	–	18
	29	33

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All operating leases relate to lease of vehicles. There are no leases relating to land and buildings.

## 17 Share capital

	2010 £	2009 £
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1,000	1,000
<b>Allotted and fully paid</b>		
1 ordinary share of £1	1	1

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## 18 Profit and loss reserve

	2010 £000	2009 £000
At 1 April 2009	780	–
Profit for the financial year	107	780
Dividend in respect of Financial year 2008/09	(356)	–
<b>At 31 March 2010</b>	<b>531</b>	<b>780</b>

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## 19 Reconciliation of movements in total shareholders funds

	2010 £000	2009 £000
At 1 April	780	–
Dividends paid in respect of Financial Year 2008/09	(356)	–
Profit for the year	107	780
Actuarial losses on the pension plan	(236)	–
Actuarial loss to the detriment of the NDA	236	–
<b>Total shareholders funds at 31<sup>st</sup> March</b>	<b>531</b>	<b>780</b>

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There were no movements in shareholders' funds other than the profit and loss reserve as disclosed above.

# Notes to the financial statements

## 20 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities.

	2010 £000	2009 £000
Operating profit	465	540
Decrease/(increase) in debtors	2,184	(28,807)
(Decrease)/increase in creditors	(2,719)	34,101
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(70)</b>	<b>5,834</b>

Note: Financial Year 2008/09 was the first year of trading for the company, and there were no debtor or creditor balances at 31<sup>st</sup> March 2008. This explains the large movements in 2008/09.

## 21 Analysis of net funds

	At 1 April 2009 £000	Cash Flows £000	At 31 March 2010 £000
Cash at bank and in hand	3,218	2,072	5,290
Short term deposits	2,856	(2,856)	–
<b>Total Cash</b>	<b>6,074</b>	<b>(784)</b>	<b>5,290</b>

## 22 Related-party transactions

### Sales to related parties

The company provides payroll and other services UKAEA Ltd, the immediate Parent Body of the Company, and Research Sites Restoration Ltd a subsidiary of UKAEA Ltd.

		2010 £000's	Outstanding at Year End £000's	2009 £000's	Outstanding at Year End £000's
Payroll	Research Sites Restoration Ltd (RSRL)	44	4	7	–
	UKAEA Ltd	27	2	22	19
Other	Research Sites Restoration Ltd (RSRL)	2	2	–	–
	UKAEA Ltd	79	9	194	–
	<b>Total Sales to related parties to UKAEA Ltd and RSRL</b>	<b>152</b>	<b>39</b>	<b>223</b>	<b>19</b>

The company sold training services to BNS Nuclear Services, a member of the Babcock International Group, to the value of **£3,525**. This whole amount of **£3,525** was outstanding at Year End.

# Notes to the financial statements

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## Purchases from related parties

The company also purchases consultancy services from UKAEA Ltd, at commercial rates, management services and a management charge. They also purchased other services Research Sites Restoration Ltd, a subsidiary of UKAEA Ltd :-

		2010 £000's	Outstanding at Year End £000's	2009 £000's	Outstanding at Year End £000's
	UKAEA Ltd	13,457	5,293	9,917	7,021
	Research Sites Restoration Ltd (RSRL)	2	–	1	–
	Total purchases from related parties from UKAEA Ltd and RSRL	13,459	5,293	9,818	7,021

The company is exempt, under the terms of FRS 8, from disclosing transactions with the United Kingdom Atomic Energy Authority.

On 31<sup>st</sup> October 2009 the company has entered into an agreement with Babcock International Group for a working capital facility at a cost of **£30,000** per annum, of which **£12,411** relates to 2009/10. Of this amount **£7,937** was outstanding at year end.

The company has purchased decommissioning services from BNS Nuclear Services, a member of the Babcock International Group. The services provide by BNS Nuclear Services are provided under contracts, which were awarded under competitive tender. The cost of services purchased from BNS Nuclear Services since 31<sup>st</sup> October 2009 amounted to **£2,760,981**. Of this amount **£126,882** was outstanding at year end.

There have been no provisions made for bad or doubtful debts in respect of amounts due from related parties.

There have been no amounts written off in the year in respect of any amounts due to or from related parties.

No Director, key manager or other related party has undertaken any material transactions with the Company during the year.

## 23 Ultimate parent undertaking

The immediate parent undertaking is UKAEA Limited.

The ultimate parent company is Babcock International Group plc, a company incorporated in England.

Whilst the Babcock International Group plc has significant influence over the company, these accounts will not be consolidated in any part of the Babcock International Group Accounts, because of the control that the NDA holds over the share capital of the company.