Registered number
05915837

Research Sites Restoration Limited

Annual Report

Year ended 31 March 2014

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Strategic report

The Directors present their strategic report on Research Sites Restoration Limited ("the Company") for the year ended 31 March 2014.

Principal activities

The Company is the site licence company responsible for delivering the safe clean-up and demolition of the former atomic research sites at Harwell, Oxfordshire and Winfrith, Dorset. The Company operates under contract to the Nuclear Decommissioning Authority (NDA) and is a wholly owned subsidiary of UKAEA Limited. The ultimate parent undertaking is Babcock International Group plc.

Business review

Over the past year Research Sites Restoration Limited has made solid progress on delivering our core mission of decommissioning the Winfrith site by 2021 and taking Harwell to the point where it is a waste storage-only site by 2027. We started the year with a campaign to recruit around one hundred additional staff to deliver this mission and this is now substantially complete. A key step forward has been the start of a programme to transfer nuclear material held at Harwell to Sellafield for long-term management; this has been achieved as a result of close collaboration between several organisations operating across the NDA estate and the Company is grateful for their support.

We have continued to make good progress on our hazard reduction and decommissioning programmes and the Company has achieved all of the critical milestones set by NDA for 2013/2014. We have maintained a high rate of recovery and repacking of historic Intermediate Level Waste (ILW) cans at Harwell and cleared much of the backlog of legacy wastes from both of our sites as new waste routes have become available. We have also ceased discharges of treated effluent to the Thames and closed the Harwell liquid effluent treatment plant after over sixty years of safe operation. Decommissioning of the plant has now begun.

Work has recently begun on removing asbestos from the primary containment area of the SGHWR reactor at Winfrith and we have started to engage with the market on proposals for dismantling the reactor core. We have also discussed the end-state for the Winfrith site (i.e. that to which it will be taken when decommissioning the above ground structures is complete) with regulators and stakeholders.

The Research Sites Restoration Limited leadership team, together with our employees, trade unions, and contractors, continue to strive to deliver excellent customer service to the NDA whilst ensuring the highest standards of safety, security and environmental performance. The Company is pleased to report that there has continued to be an improvement in our safety performance over the past year which we are looking to sustain as we strive to achieve our target of zero accidents.

Financial review

The Company's turnover for the year was £82,051,000 (£74,422,000 for the year ended 31 March 2013). Profit on ordinary activities before taxation was £357,000 (£387,000 for the year ended 31 March 2013). The Company's loss for the financial year is £897,000 (£943,000 profit in 2012/2013).

Strategic report

Principal risks and uncertainties

The Company's operational risks include environmental, health and safety, and IT/power failures. Environmental and social effects are always considered. Documented procedures and risk assessments manage the health and safety risks. Disaster recovery procedures exist which would be implemented in the event of power and IT outages.

The costs incurred by the Company are reimbursed by the NDA and therefore the Company does not have significant exposure to price, credit, liquidity or cash flow risk.

By order of the Board

Darren Bailey
Company Secretary

4 June 2014

Directors' report

The Directors present their report and the audited financial statements of Research Sites Restoration Limited ("the Company") for the year ended 31 March 2014.

Future developments

The NDA announced on 31 March 2014 that the Cavendish Fluor Partnership (CFP) is the preferred bidder in the competition for a new Parent Body Organisation (PBO) that will take over responsibility for management of the Research Sites Restoration Limited and Magnox Limited sites from 1 September 2014. The Company looks forward to working closely with CFP to ensure a smooth transition to the new organisation.

Dividends

A dividend of £280,375 per ordinary share is proposed (£115,268 was paid in 2012/2013) and, if approved, will be paid following receipt by the Company of the balance of the 2013/2014 performance fee receivable under the contract with the NDA.

Charitable donations

During the year the Company made charitable donations of £10,608 to local charities and good causes serving the communities in which the Company operates (£11,605 in 2012/2013).

Financial risk management

Owing to the nature of its activities, the Company is not exposed to the same degree of financial risk faced by many 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 not held to change the risks facing the Company in undertaking its activities. The Company has access to working capital funding from its parent Company to meet any temporary cash flow shortages.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Stephen White OBE (Chairman)
Anthony Wratten
Andrew Staples
Gareth Thomas
Richard Pentreath
Tony Moore
Stan Gordelier

Qualifying third party indemnity provision

Under the Articles of Association the Directors of the Company are, and were during the year to 31 March 2014, indemnified by the Company 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. This was in force at the date of approval of the financial statements.

Directors' report

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 Research Sites Restoration Limited's intranet pages, in-house newsletters, briefing groups and the distribution of the annual report.

Policy and practice on payment of creditors

It is the Company's payment policy, in respect of all suppliers, to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders. Payment becomes due when 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 2.5 days at 31 March 2014 (7 days at 31 March 2013).

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/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

By order of the Board

Darren Bailey
Company Secretary

4 June 2014

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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.

Independent Auditors' report to the members of Research Sites Restoration Limited

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its loss 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Research Sites Restoration Limited, comprise:

- the balance sheet as at 31 March 2014;
- the profit and loss account and statement of total recognised gains and losses for the year then ended
- the cash flow statement; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of the financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditors' report to the members of Research Sites Restoration Limited

Matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.

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

4 June 2014

Profit and loss account

for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Turnover	4	82,051	74,422
Other income		5	6
		82,056	**74,428**
Raw materials and consumables		(7,297)	(7,455)
Other external charges		(47,400)	(42,265)
Staff costs	5	(26,791)	(23,923)
Other operating charges		(216)	(406)
		(81,704)	**(74,049)**
Operating profit		**352**	**379**
Interest received		5	8
Other finance charges	8	–	–
Profit on ordinary activities before taxation		**357**	**387**
Tax on profit on ordinary activities	9	(1,254)	556
(Loss)/Profit for the year		**(897)**	**943**

All amounts derive from continuing operations. There is no material difference between the profit on ordinary activities before taxation and the (loss)/profit for the financial years stated above and their historical costs equivalents.

The notes on pages 12 to 26 are an integral part of these financial statements.

Statement of total recognised gains and losses

for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
(Loss)/Profit for the year		(897)	943
Actuarial gain/(loss) in the Combined Nuclear Pension Plan	15	4,246	(3,093)
Actuarial (loss)/gain to be remitted/recovered to/from the NDA		(4,246)	3,093
Total gains and losses recognised since the previous Financial Statements		**(897)**	**943**

The notes on pages 12 to 26 are an integral part of these financial statements.

Balance sheet

at 31 March 2014

	Note	2014 £'000	2013 £'000
Current assets			
Stocks and work in progress	11	59	43
Debtors (including £4,155,000 (2013- £7,075,000) due after one year)	12	17,668	20,755
Cash at bank and in hand		145	157
		17,872	20,955
Creditors: amounts falling due within one year	13	(13,275)	(13,815)
Net current assets		**4,597**	**7,140**
Provisions for liabilities and charges	14	(992)	(1,155)
Net assets excluding pensions liability		**3,605**	**5,985**
Defined benefit pension liability	15	(3,325)	(4,693)
Net assets		**280**	**1,292**
Capital and reserves			
Share capital	17	—	–
Profit and loss reserve	18	280	1,292
Total Shareholders' Funds		**280**	**1,292**

The notes on pages 12 to 26 are an integral part of these financial statements.

The financial statements on pages 8 to 26 were approved by the Board of Directors on 4 June 2014 and were signed on its behalf by:

Anthony Wratten
Managing Director

Cash flow statement

at 31 March 2014

	Note	2014 £'000	2013 £'000
Net cash flow from operating activities	19	242	(385)
Net cash flow from returns on investment and servicing of finance			
Interest received		5	8
Taxation		(144)	(97)
Equity dividends paid to shareholders			
Equity dividends paid		(115)	(252)
Decrease in net cash		**(12)**	**(726)**
Reconciliation to net funds			
Net funds at 1 April		157	883
Decrease in net cash		(12)	(726)
Net funds at 31 March		**145**	**157**

The notes on pages 12 to 26 are an integral part of these financial statements.

Notes to the financial statements

1 General information

Research Sites Restoration Limited ("the Company") is a limited company incorporated in England and Wales. The address of its registered office is Building 392.10/Room 1.05, Harwell Oxford, Didcot, Oxfordshire OX11 0DF.

These financial statements were authorised for issue by the Board of Directors on 4 June 2014.

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. These have been applied consistently during the financial year.

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 with NDA is recognised to the extent of costs incurred in the financial year 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. As the fees receivable are subject to agreement with NDA, the amount recognised in the financial statements is an estimate based on the Company's assessment of the Performance Based Incentives and efficiency savings achieved during the year.

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 the turnover in the financial year in which the circumstances that give rise to the revision become known.

3.1 Turnover (continued)

(b) Tenant income

Tenant income is recognised in the profit and loss account in one of two ways. In the case of Occupancy Licences this is on a straight-line basis over the term of the agreement. Utility charges are recovered from leasehold tenants on the basis of the costs incurred.

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 financial year 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

The Company is a member of the Combined Nuclear Pension Plan (CNPP) which is a funded defined benefit scheme. The surplus (to the extent it is recoverable) or deficit in the scheme is recognised in full with a corresponding asset or liability to the NDA for the full value of the deficit or surplus. The surplus or deficit represents the fair value of the scheme assets less the present value of the defined benefit obligation at the balance sheet date, together with any adjustments for unrecognised past service costs.

The fair value of the scheme assets is based on market price information and in the case of quoted securities is the published bid price. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged in the statement of total recognised gains and losses in the financial year in which they arise. Past service costs are recognised immediately in the profit and loss account to the extent that the benefits are already vested, and otherwise amortised on a straight line basis over the average period until the benefits become vested

Further details of both schemes are included in Note 15.

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 Stock

A small quantity of personal protective equipment is held on the Harwell and Winfrith Sites as stock to meet operational requirements. The stock is stated at the lower of cost and net realisable value. The cost of stock comprises direct costs. Net realisable value is the estimated future revenue recoverable if the stock were to be sold to third parties.

3.6 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 financial years 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.

3.7 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.

3.7 Provisions (continued)

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.

3.8 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.

4 Turnover

The Company's activities consist primarily of managing the clean-up and demolition of the former atomic research sites at Harwell, Oxfordshire and Winfrith, Dorset under contract to the NDA. All turnover relates to the United Kingdom.

5 Staff costs

	Note	2014 £'000	2013 £'000
Wages and salaries		20,548	18,147
Social security costs		1,916	1,683
Other pension costs	15	4,327	4,093
		26,791	**23,923**

	2014	2013
Average number of full-time equivalent employees	474	425

6 Directors' emoluments

Directors	**2014 £000**	**2013 £000**
Aggregate emoluments	102	92
Company contributions to defined benefit pension schemes	17	18
	119	**110**

Retirement benefits are accruing to 1 Director (2013 – 1 Director) under defined benefit schemes.

Anthony Wratten and Andrew Staples are employees of UKAEA Limited and were not paid by the Company. Tony Moore is an employee of Babcock International Group plc and was not paid by the Company. Babcock International Group receives a charge for the services of Stephen White OBE. The company receives a charge from UKAEA Ltd in respect of the services provided by these four directors which in 2013/2014 amounted to £443,776) (2012/2013 £483,628). 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.

7 Operating profit

Operating profit has been arrived at after charging:

	2014 £'000	**2013 £'000**
Operating lease rentals payable:		
– Plant and machinery	267	160
– Charitable donations	11	12
– Audit fees	35	30

8 Other finance charges

	2014 £'000	**2013 £'000**
Revalorisation of provisions:		
– Change in price levels (Note 14)	27	26
– Unwinding of discount (Note 14)	5	21
– Escalation of reimbursement debtor	(32)	(47)
	–	–

9 Taxation

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 the profits of the Company as follows:

	2014 £'000	2013 £'000
Current Tax		
UK corporation tax at 23% (2013-24%)	97	150
Adjustment in respect of prior years	(231)	11
Total UK Corporation Tax Payable	**(134)**	**161**
Deferred tax		
Origination and reversal of timing differences	1,388	(717)
Tax Charge	**1,254**	**(556)**

	2014	2013
Profit on ordinary activities before tax	357	387
Tax on profit on ordinary activities before tax at the standard UK corporation tax rate of 23% (2013-24%)	82	93
Effects of		
- Expenses not deductible for tax purposes	15	11
- Pensions costs relief difference from pension cost	–	46
- Adjustment in respect of prior years	(231)	11
UK Corporation Tax Payable	**(134)**	**161**

As shown above, the main rate of corporation tax reduced from 24% to 23% from 1 April 2013. A number of changes to the UK Corporation tax system were announced in the March 2013 Budget Statement. Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 is included in the Finance Act 2013. Further changes to the UK corporation tax system were announced in the March 2013 Budget Statement. These included further reductions to the main corporation rate from 21% to 20% by 1 April 2015. These further changes have been substantively enacted at the balance sheet date and, therefore the impact is included in these financial statements. As a result of the above all deferred tax balances are restated at 20% at the balance sheet date.

10 Dividends

The Directors have proposed a dividend for the year ended 31 March 2014 of £280,735 per paid up share which will amount to £280,375 (£115,268 paid for the year ended 31 March 2013). This dividend has not been accounted for within these financial statements as it has yet to be approved.

11 Stocks and work in progress

	2014 £'000	2013 £'000
Stocks	59	43
	59	**43**

12 Debtors

12a Debtors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade debtors	3,278	1,660
Amounts due from group undertakings	7	4
Restructuring debtor	174	191
Other Debtors	202	255
Prepayments and accrued income	9,852	11,570
	13,513	**13,680**

12b Debtors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Restructuring debtor	818	964
Pension liability to be recovered from the NDA (Note 15)	3,325	6,095
Other debtors	12	16
	4,155	**7,075**

13 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	595	1,420
Amounts owed to group undertakings	142	506
Other creditors including taxation and social security	5,073	4,420
Accruals and deferred income	7,465	7,469
	13,275	**13,815**

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

14 Provisions for liabilities and charges

	Restructuring £'000	Total £'000
At 1 April 2013	1,155	1,155
Change in price levels	27	27
Unwinding of discount	5	5
Utilised during year	(189)	(189)
Changes during the year	(6)	(6)
At 31 March 2014	**992**	**992**

(a) *Restructuring*

The restructuring provisions represent termination benefits payable under early retirement arrangements to employees. These benefits continue until the date at which the employee would have reached normal retirement age. The restructuring provisions are discounted using the guidance in the Public Expenditure System paper 2013 (07) published in 2013 being -1.9% for short term provisions (0 to 5 years), -0.65% for medium term provisions (after 5 and up to 10 years) and 2.2% for long term provisions (over 10 years) at the balance sheet date. The undiscounted cost of the provisions is £1,035,000 and the benefits are estimated to be payable over a period up to 20 years.

The NDA has agreed to reimburse the restructuring costs incurred by the Company where these have arisen 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.

(b) *Other provisions*

There are no other provisions as at 31 March 2014.

15 Retirement benefits

(a) Defined benefit schemes

Until 31 October 2009 the Company participated in the United Kingdom Atomic Energy Authority Combined Pension Scheme (CPS) which is an unfunded multi-employer defined benefit scheme. In common with public sector pension schemes, the CPS does not have a physical fund of assets like most private sector schemes. All contributions are paid to and benefits paid by HM Government via the Consolidated Fund. 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. The Government does not maintain a separate fund and actuarial valuations for the purpose of setting contribution rates are based on a theoretical calculation assuming that contributions are credited to, and benefit payments debited from, a notional fund which is assumed to earn a notional investment return.

It is 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.

Employer contributions are calculated in accordance with HM Treasury methodology "Superannuation Contributions Adjusted for Past Experience" and are based on the expected cost of members' benefits as they accrue.

With effect from 1 November 2009, Research Sites Restoration Limited employees who had been members of the CPS became eligible to join the final salary section of the Combined Nuclear Pension Plan (CNPP) established by the Nuclear Decommissioning Authority to provide future service pension benefits for employees of Site Licence Companies. Past service benefits are retained in the CPS. The scheme meets the Energy Act 2004 and Fair Deal for pension requirements and provides benefits which are no less favourable than those provided under the CPS.

The initial employer contribution rate to the CNPP for the Company has been set at 22.8% of pensionable earnings.

New recruits to the Company after 1 November 2009 are eligible to join the defined contribution structure of the CNPP.

An FRS 17 actuarial valuation for the Research Sites Restoration Limited section of the CNPP was carried out at 31 March 2014 by a qualified independent actuary.

The Triennial Actuarial Valuation of the CNPP as at 31 March 2013 was completed during 2013/2014. This report identified a funding shortfall as at 31 March 2013 in the Research Sites Restoration Limited section and recommended that the employer's contribution be increased from 22.8% to 25.7% with effect from 1 April 2015.

15 Retirement benefits (continued)

	2014 £'000	2013 £'000
Amounts recognised in balance sheet		
Present value of funded obligations	(22,491)	(20,513)
Fair value for plan assets	19,166	14,418
Defined benefit plan deficit	(3,325)	(6,095)
Deferred tax asset	-	1,402
Net Pension Deficit	**(3,325)**	**(4,693)**

	2014 £'000	2013 £'000
Change in benefit obligation		
Benefit obligation at beginning of the financial year	(20,513)	(11,896)
Current service cost	(4,300)	(3,702)
Employee contributions	(654)	(685)
Interest cost	(972)	(668)
Actuarial gain/(loss)	3,814	(3,423)
Curtailment costs	-	(404)
Benefits paid	134	265
Benefit obligations at end of the financial year	**(22,491)**	**(20,513)**

	2014 £'000	2013 £'000
Change in plan assets		
Fair value of plan assets at beginning of the financial year	14,418	9,621
Expected return on assets	945	681
Contributions paid by the employer	2,851	3,366
Contributions by participants	654	685
Actuarial gain	432	330
Benefits paid	(134)	(265)
Fair value of plan assets at end of the financial year	**19,166**	**14,418**

15 Retirement benefits (continued)

	2014 £'000	2013 £'000
Components of pension cost		
Current service cost	(4,300)	(3,702)
Curtailment costs	-	(404)
Interest cost	(972)	(668)
Expected return on assets	945	681
Total pension costs recognised in the profit and loss account	**(4,327)**	**(4,093)**
Actual return less expected return on Plan assets	432	330
Changes in assumptions underlying the present value of the Plan liabilities	2,539	(3,423)
Experience gains arising from Plan liabilities	1,275	–
Actuarial gain/(loss)	4,246	(3,093)
Total pension gain/(loss) recognised in STRGL	**4,246**	**(3,093)**

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

Plan assets

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

	2014	2014 £'000	2013	2013 £'000
Equities	7.60%	7,719	7.15%	6,035
Bonds	4.40%	2,900	4.25%	2,275
Index Linked Gilts	3.60%	2,995	3.15%	2,346
Diversified Growth Fund	7.60%	3,479	7.15%	2,156
Property	6.60%	1,953	6.15%	1,430
Other	2.00%	120	2.00%	176
Total fair value of the assets		**19,166**		**14,418**

	2014 £'000	2013 £'000
Actual return on Plan Assets	1,377	1,011

Weighted average assumptions used to determine benefit obligations	**2014**	**2013**
Rate of inflationary increase in salaries	–	3.90%
Years 1 to 4	3.35%	–
Years 4 to 14	3.60%	–
Years 14 and beyond	3.85%	–
Rate of increase in pensions in payment	3.35%	3.40%
Discount rate	4.40%	4.25%
Inflation assumption (RPI)	3.35%	3.40%
Mortality	SAPS CMI 2013 Projection 1% long term rate k = 90%	SAPS CMI 2011 Projection 1% long term rate k = 90%

15 Retirement benefits (continued)

Post retirement mortality (in years)		
Current pensioner at 65 – male	22.7	22.9
Current pensioner at 65 – female	25.3	25.3
Future pensioner at 65 (now 45) – male	24.1	24.3
Future pensioner at 65 (now 45) – female	26.9	26.9

History of net deficit of the plan	**2014**	**2013**
	£'000	**£'000**
Benefit obligation at end of year	(22,491)	(20,513)
Fair value of plan assets at end of year	19,166	14,418
Net Deficit	**(3,325)**	**(6,095)**

History of experience of gains and losses	**31 March 2014**	**31 March 2013**	**31 March 2012**	**31 March 2011**	**31 March 2010**
Difference between expected and actual return on Plan assets:					
Amount (£000)	432	330	(286)	97	20
Percentage of Plan assets	2%	2%	(3%)	2%	1%
Experience gain/(losses) arising on the Plan liabilities:					
Amount (£000)	1,275	-	(1)	22	-
Percentage of the present value of Plan liabilities	6%	-	0%	0%	-
Total amount recognised in STRGL:					
Amount (£000)	4,246	(3,093)	(1,623)	14	(83)
Percentage of the present value of Plan liabilities	19%	(15%)	(14%)	0%	(5%)

(b) Defined contribution schemes

Until 31 October 2009 employees of the Company who are members of the defined benefit scheme could 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 CNPP Defined Contribution (DC) Scheme is administered on behalf of the Company by Aon Hewitt. The funds are managed by BlackRock Investment Management (UK) Ltd. Employees are automatically enrolled in the DC Plan unless they choose to opt out. If they wish to remain a member they choose the level of contribution they wish to make, from a minimum of 3% of salary. The Company contribution is on a sliding scale, dependent upon the employee contribution rate, from a minimum of 8% up to a maximum of 13.5%.

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2014 £'000	2013 £'000
Less than one year	88	75
Between one and five years	94	125
	182	**200**

Operating leases relate to the lease of vehicles and office equipment. There are no leases relating to land and buildings

17 Share capital

	2014 £	2013 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted and fully paid		
1 ordinary share of £1	–	1
1 A ordinary share of £1	1	–
1 B ordinary share of £1	1	–
	2	1

With effect from 17 January 2014, the ordinary share previously issued was re-designated into an A ordinary shares and a new class of B ordinary share of £1 was created. The B ordinary share was issued and allotted on 17 January 2014. The rights of the A ordinary share and the B ordinary share are set out in the Articles of Association which were approved with effect from 17 January 2014.

The A shares carry one vote per share, equal rights to dividends and equal rights to participate in capital distributions on winding up. The B shares have no voting entitlement on any resolution at any general meeting, other than in respect of variations to the rights of the B shares, which cannot be passed without the approval of the A shareholder. Dividends in respect of the B share shall be determined by the holder of the A share by way of ordinary resolution. On winding up the holder of the B share is entitled to repayment in full of the capital paid up on the B share and payment of a sum equal to any dividend declared in favour of the B shareholder, which is due and payable for the time being.

18 Profit and loss reserve

	2014 £'000
At 1 April 2013	1,292
Profit for the financial year	(897)
Dividends paid	(115)
At 31 March 2014	**280**

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

19 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities

	2014 £'000	2013 £'000
Net cash flow from operating activities		
Operating profit	352	379
Decrease in stocks and work in progress	(16)	(5)
Decrease in debtors	342	(1,613)
Decrease in creditors	(436)	854
	242	**(385)**

20 Related party disclosures

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 2014 the company has not made any provision for doubtful debts relating to amounts owed by related parties.

Cavendish Nuclear (CN, previously Babcock Nuclear Services Limited, BNS), into which UKAEA Limited (UKAEA) was integrated during April 2012, is regarded as a related party because UKAEA Limited owns the entire share capital in the Company. Dounreay Site Restoration Limited (DSRL) is a related party because its immediate and ultimate parent company is the Babcock Dounreay Partnership Limited, a consortium that includes Babcock International Group plc. Control exerted by the NDA does not exempt these transactions from disclosure.

	2014		2013	
	UKAEA/ CN £'000	**DSRL £'000**	**UKAEA/ BNS £'000**	**DSRL £'000**
Sales to UKAEA/BNS and DSRL:				
Technical	–	47	–	50
Property	13	–	7	–
	13	**47**	**7**	**50**
External costs recharged from UKAEA/BNS	–	–	176	–
Purchases from UKAEA/BNS and DSRL	5,600	69	5,047	47
Amounts owed by UKAEA/BNS and DSRL	5	5	–	4
Amounts owed to UKAEA/BNS and DSRL	1	7	506	4

20 Related party disclosures (continued)

The company has an agreement with Babcock International Group plc for a working capital facility at a cost of £20,000 per annum. This is unchanged from the previous year. Nothing was outstanding at year end.

Additionally, £11,000 was charged for specialist tax advice provided through the Babcock International Group plc during the year.

21 Ultimate parent undertaking

The immediate parent undertaking is UKAEA Limited.

The ultimate parent undertaking 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 plc Accounts, because of the control that the NDA hold over the share capital of the company.