

MAGNOX SOUTH LIMITED

Registered No 6005213

ANNUAL REPORT AND ACCOUNTS

31 March 2011



Magnox South Limited – Registration No. 6005213

DIRECTORS

T J Joyce
A R Brandwood
M L Steedman

SECRETARY

S P Stuttford

AUDITORS

Ernst & Young LLP
The Paragon Building
Counterslip
Bristol
BS1 6BX

BANKERS

National Westminster Bank Plc
Spring Gardens
Manchester
M60 2DB

SOLICITORS

DLA Piper UK LLP
3 Noble Street
London
EC2V 7EE

REGISTERED OFFICE

Berkeley Centre
Berkeley
Gloucestershire
GL13 9PB

Magnox South Limited – Registration No. 6005213

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 March 2011

RESULTS AND DIVIDENDS

The result for the year, after taxation, amounted to £nil (2010 £nil) The Directors are unable to recommend a dividend (2010 £nil)

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

During the year the company has acted under contract to the Nuclear Decommissioning Authority (NDA) providing services in relation to the defuelling and decommissioning of 5 non-generating nuclear licensed sites

To allow a better alignment with the NDA's strategic priorities and improved cost efficiencies the Company was restructured on the 5 January 2011 and the five sites that were formerly operated by Magnox South Limited under contract of the NDA were transferred into the management of Magnox Limited This restructuring was completed after all necessary regulatory authorisations had been completed

The Company's fee is earned by meeting certain contractual criteria as defined and agreed with the NDA for the provision of the services stated above The gross turnover from this contract for the 9 months trading to 5 January 2011 is £6M (2010 £10M)

Under the M&O contract the Company's principal measures of operational performance are Schedule Performance Index (SPI) and Cost Performance Index (CPI) against a baseline programme of work The results for the 9 months trading to 5 January 2011 were an SPI of 0.96 (2010 1.00) and CPI of 1.11 (2010 1.06) This performance was achieved on a programme of work valued at £172.3M (2010 £235.9M) delivered at a cost of £155.9M (2010 £222.0M) showing an overall cost saving of £16.4M (2010 £13.9M)

Due to the manner in which the Company operates substantially all risks and rewards from operating activities, except the fee income, are borne by the NDA

ENVIRONMENT, HEALTH, SAFETY, SECURITY AND QUALITY (EHSS&Q)

In 2010/11 Magnox South delivered its work whilst maintaining its strong EHSS&Q performance

Highlights in 2010/11 included:

- Magnox South pursued its Strategic Safety Plan which was issued and rolled out in 2010 and actions were delivered via the sites Safety & Environment Enhancement Plan (SEEP) The Magnox Ltd plan will continue to address the significant risks and safety improvement areas for the company over the next 3-5 years
- The Critical project and system walk downs, developed the previous year, were pursued by the sites and backed up by regular independent walk downs to deliver assurance to the Corporate EHSS&Q Director and reports on project safety to the Executive
- Site Inspectors delivered assurance arrangements providing improved support in the decommissioning environment and identifying opportunities for improving safe compliant work delivery
- The good working relationship with the Regulator was built on
- The excellent safety and environmental performance was demonstrated by all five sites' safety metrics being met or beaten in all areas Very few accidents required medical treatment and some sites delivered their work with no lost time accidents and no personal contamination events during the year despite the high hazard work being undertaken
- In recognition of our commitment to pursuing and delivering excellent safety performance, Magnox South sites received various Royal Society for the Prevention of Accidents (RoSPA) awards
- Excellent environmental performance was delivered, whilst transitioning to the new Environmental Permitting Regulations Considerable efforts were required to review and update management arrangements and put new permits for the sites in place

GOING CONCERN

Due to legal recombination on the 5 January 2011 Magnox South Limited effectively ceased to operate, and became a dormant company All balance sheet assets and liabilities were transferred to Magnox Limited as of this date and therefore there are no liabilities for the company to meet as at 31 March 2011 There are no current plans to dissolve the company

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DIRECTORS' REPORT (continued)

DIRECTORS

The Directors who served during the year were as follows

A M Parker (resigned 23 July 2010)
Dr M J Cogbill (resigned 1 June 2011)
T J Joyce
A R Brandwood
Dr C J Marchese (resigned 1 July 2011)
G Voorheis (resigned 31 May 2011)
R J Jepps (resigned 31 May 2011)
M Lesinski (resigned 30 September 2010)
M L Steedman

PERSONNEL

The average number of people employed during the year was 1,112 (2010 1,551) At 31 March 2011 the total number of people employed by the Company was Nil (2010 1,505) The Company continues to attach importance to the involvement of its employees in the Company's development and has continued to keep them informed of matters affecting them as employees and also on the performance of the Company Recognising that the Company is working towards restructuring to comply with the NDA's strategy for competing Management & Operations contracts, the Company continued to provide continuous and regular communications to its employees and the recognised trade unions

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

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company is committed to the Prompt Payers Code of Practice drawn up by the Confederation of British Industry (CBI) with rigorous monitoring of payment performance Copies of the Code are available from CBI, Centre Point, 103 New Oxford Street, London, WC1A 1DU The Company's main payment terms are net monthly Suppliers are made aware of the terms of payment and the terms are settled when agreeing the details of each transaction The number of days of creditors outstanding at 31 March 2011 was Nil days (2010 41 days)

CORPORATE GOVERNANCE

The directors are responsible for the company's system of internal control and reviewing its effectiveness The directors confirm that they have reviewed the effectiveness of controls during the year However, the system of controls is designed to manage, rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains directors' and officers' liability insurance covering the defence costs of civil legal proceedings and the damages resulting from the unsuccessful defence of such proceedings except, in each case, to the extent that a Director or Officer acted fraudulently or dishonestly

POLITICAL AND CHARITABLE DONATIONS

During the year the Company made donations to charitable organisations totalling £5,420 (2010 £128,632) funded by the NDA The Company made no contributions to political parties

DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with Section 418 of the Companies Act 2006, each of the above directors

- is not aware of any relevant audit information of which the Company's auditors are unaware, and
- has taken all the steps that ought to be taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

There is an elective regime in place which governs the appointment of Ernst & Young LLP as Auditors Ernst & Young LLP will continue to provide audit services until further notice is given

By order of the Board



M Steedman
Company Director
12th December 2011

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

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

Company law requires the directors to prepare financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 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 corporate and financial information included on 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 AUDITOR'S REPORT TO THE MEMBERS OF MAGNOX SOUTH LIMITED

We have audited the financial statements of Magnox South Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. 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).

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

Respective responsibilities of directors and auditor

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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of its results 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Ken Griffin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

22 December 2011

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PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2011

	Notes	2011 £M	2010 £M
Gross revenue (including Site Licence Company costs under management)		164	232
Site Licence Company costs under management		(158)	(222)
Gross turnover		6	10
Net operating costs and expenses	3	(6)	(8)
Operating profit		-	2
Profit on ordinary activities before taxation		-	2
Tax on profit on ordinary activities	6	-	(2)
Profit on ordinary activities after taxation	11	-	-

All amounts relate to discontinued activities

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2011

There are no recognised gains or losses other than the results of the company shown in the profit and loss account for the year ended 31 March 2011 (2010 £Nil). Accordingly no separate statement of total recognised gains and losses has been prepared

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BALANCE SHEET
At 31 March 2011

	<i>Notes</i>	2011 £M	2010 £M
Current assets			
Debtors			
Amounts falling due within one year	7	-	85
Cash at bank and in hand		<u>-</u>	<u>7</u>
		-	92
Creditors: amounts falling due within one year	8	<u>-</u>	<u>(92)</u>
Net assets		<u>-</u>	<u>-</u>
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	11	<u>-</u>	<u>-</u>
Shareholders' Funds – Equity	10	<u>-</u>	<u>-</u>

On behalf of the Board of Directors



M Steedman
Company Director
12th December 2011

NOTES TO THE ACCOUNTS
At 31 March 2011

1 ACCOUNTING POLICIES

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

a. Accounting convention

The accounts are prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards

These accounts have been prepared on a going concern basis

b. Gross turnover

Gross turnover is net of costs recoverable from the NDA and represents the net fees earned under contract with the NDA. Fees are recognised when the right to consideration in exchange for performance is obtained. Partial performance of contracted obligations is recognised to the extent that the right to consideration has been obtained.

c. Taxation

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

- Deferred taxation assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing difference can be deducted, and
- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets

Deferred taxation is measured on a non-discounted basis at the taxation rates that are expected to apply in the periods in which timing differences reverse, based on taxation rates and laws enacted or substantively enacted at the balance sheet date

d. Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. Exchange differences are taken to the profit and loss account

e. Pensions

The Company is a participating employer and provides pension schemes for the benefit of the majority of its employees. The schemes are funded by contributions partly from the employees and partly from the Company. The gains or losses that arise from the valuation of the pension scheme are recognised by Magnox Limited who are deemed to be the sponsoring employer

Pensions Schemes applicable for Magnox South Limited staff

Pension Scheme	Pension Type
Electricity Supply Pension Scheme (ESPS)	Defined Benefit closed to new entrants 31 st August 2007
Combined Nuclear Pension Plan (CNPP)	Defined Benefit closed to new entrants 31 st August 2007
Combined Nuclear Pension Plan (CNPP)	Defined Contribution for staff joining 1 st September 2007 onwards
Group Pension Scheme (GPS)	Defined Benefit closed to new entrants 31 st August 2007

Payments are made to a separately administered fund for the Electricity Supply Pension Scheme (ESPS). The Combined Nuclear Pension Plan (CNPP) is accounted for as a defined contribution scheme as it is covered by the multi employer exemption under Financial Reporting Standard FRS17 'Retirement Benefits'

The ESPS pension scheme closed to new entrants on 31st August 2007 and provision is made for new employees who enter the scheme from the 1 September 2008 for their pension provision with a defined contribution scheme

There are now two participants in the Site Licence Company (SLC) section of the Magnox Group of the ESPS pension scheme, Magnox Limited and Magnox South Limited. However as the Magnox Section of the ESPS pension scheme has not been segregated, Magnox Limited is deemed to be the principal employer and therefore discloses the entirety of the current net pension surplus or deficit. Therefore Magnox South Limited accounts for its participation in the ESPS pension scheme as a defined contribution scheme. The contributions to this fund are based on independent actuarial valuations designed to secure the benefits as set out in the rules

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

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full with a corresponding asset or liability to the NDA for the full value of the deficit/surplus. The movement in the scheme surplus/deficit after taking account of any amounts falling due to/from the NDA are split between operating charges, finance items and, actuarial gains and losses, within the Statement of Total Recognised Gains and Losses. As previously stated the gains and losses are borne by Magnox Limited

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NOTES TO THE ACCOUNTS (continued) At 31 March 2011

2 RECOMBINATION

On 5 January 2011 after a period of consultation Magnox North Limited was renamed Magnox Limited and the assets and liabilities of Magnox South Limited were transferred into Magnox Limited. The details of assets and liabilities transferred into Magnox Limited are detailed below.

Analysis of the recombination

	Magnox South Limited as at 4 Jan 11 £M	Transferred to Magnox Limited £M	Magnox South Limited as at 5 th Jan 11 £M
Current Assets			
Debtors			
Amounts falling due within one year			
Working capital recoverable from NDA	58	58	-
Amounts owed by group undertaking	1	1	-
	59	59	-
Creditors amounts falling due within one year			
Trade creditors	(16)	(16)	-
Due to affiliated company	(2)	(2)	-
Accrued expenses	(35)	(35)	-
Other liabilities	(3)	(3)	-
Liability for pension benefits	(1)	(1)	-
Bank overdraft	(2)	(2)	-
Net current assets	-	-	-
Total assets less current liabilities	-	-	-

3 NET OPERATING COSTS AND EXPENSES

	2011 £M	2010 £M
Management fees payable to parent Company	6	10
Reimbursement of taxation charge from Reactor Sites Management Company Limited	-	(2)
	6	8

Auditors' remuneration was £36,624 (2010 £54,052). This represents £16,710 for statutory audit fees (2010 £31,552) and £19,914 (2010 £22,500) for other services which were reviews undertaken for the purpose of parent body and group accounting.

4 EMPLOYEE INFORMATION (including Executive Directors)

	2011 £M	2010 £M
Wages and salaries	59	81
Social security costs	5	7
Pension costs	10	12
Other staff costs	-	18
	74	118

All pension contributions paid are included in site licence costs under management and are recovered from the NDA on a paid basis.

The average number of people employed during the year was 1,112 (2010 1,551).

Employee costs are directly recoverable from the NDA.

NOTES TO THE ACCOUNTS (continued)
At 31 March 2011

5 DIRECTORS' EMOLUMENTS

	2011 £000	2010 £000
Aggregate emoluments	110	143
Retirement benefits are accruing to 1 director (2010: 1) under a defined benefit scheme		
Aggregate emoluments for the highest paid director	110	143

A number of Directors are employed by the ultimate parent undertaking or its subsidiaries. Those employed by the parent undertaking are seconded to the Company. The emoluments detailed above for 2011 are for 9 months only. The 2010 comparatives are for a full 12 months. The emoluments detailed above include no remuneration for those directors whose emoluments were borne by other group undertakings.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

1 Analysis of tax charge in year:

	2011 £M	2010 £M
Corporation tax		
Current tax on income for the period	1	2
Adjustments in respect of prior periods	(1)	-
Tax on profit on ordinary activities	-	2

2 Factors affecting tax charge for year

The tax assessed on the profit on ordinary activities for the year is different from the standard rate of Corporation tax in the UK of 28% (2010: 28%). The differences are reconciled below:

	2011 £M	2010 £M
Profit on ordinary activities before taxation	-	2
Tax on profit at 28% (2010: 28%)	-	-
Effects of:		
Transfer pricing adjustment	2	3
Adjustments to tax in respect of earlier periods	(1)	-
Current year R&D credit	(1)	(1)
Current tax charge for the year	-	2

7. DEBTORS

	2011 £M	2010 £M
Amounts falling due within one year		
Amounts owed by group undertaking	-	1
Working capital recoverable from the NDA	-	84
	-	85

NOTES TO THE ACCOUNTS (continued)
At 31 March 2011

8 CREDITORS amounts falling due within one year

	2011 £M	2010 £M
Trade creditors	-	29
Amounts owed to parent undertaking	-	6
Amounts owed to other group undertakings	-	4
Other taxes and social security costs	-	13
Accruals and deferred income	-	40
	-	92

9 SHARE CAPITAL

	2011 £	2010 £
Allotted and called up		
1 ordinary share of £1 each fully paid	1	1

10 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £M	2010 £M
Profit for financial year	-	-
Opening shareholders' funds	-	-
Closing shareholders' funds	-	-

11 RESERVES

	Profit and loss account £m
Balance at 1 April 2010	-
Profit for the financial year	-
Balance at 31 March 2011	-

12. PENSIONS

Defined Benefit Schemes

ESPS

The following note is in relation to the company defined benefit scheme, the result of the transfer of assets and liabilities as there are now two participants in the Site Licence Company (SLC) Section of the Magnox Group ESPS pension scheme, Magnox Limited and Magnox South Limited. However as the ESPS pension scheme has not been segregated, Magnox Limited is deemed to be a sponsoring employer and therefore discloses the entirety of the current net pension surplus or deficit. Magnox South Limited accounts for its participation in the ESPS pension scheme as a defined contribution scheme. All disclosures under FRS 17 by Magnox Limited are for the scheme in its entirety.

Defined Contribution Scheme

CNPP

The company operates a defined contribution pension scheme, the assets of which are held in an independently administered fund. Contributions are charged to the profit and loss account as and when incurred. The total contributions charged to the profit and loss account for the 9 months trading to 5 January 2011 were £9.4M (2010: £12.6M).

13 ULTIMATE PARENT UNDERTAKING

The Company is a subsidiary undertaking of EnergySolutions EU Limited, a Company registered and incorporated in England and Wales. The ultimate parent undertaking is EnergySolutions, Inc. The consolidated accounts of this company are available to the public and may be obtained from 423 West 300 South, Suite 200, Salt Lake City, UTAH, 84101.

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NOTES TO THE ACCOUNTS (continued)
At 31 March 2011

14 RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary of EnergySolutions, Inc the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group