Sellafield Ltd

Annual Report and Financial Statements
2018/2019

Financial Results
for the year ended
31st March 2019

Company Information

Directors

Mrs L I Baldry (Chair, appointed 1 May 2018)
Mr P Foster (Chief Executive Officer)
Mr J M Seddon
Mr M J Chown
Mr A D Cumming (appointed 3 April 2018)
Mr N W R Smith
Dr D Byrne
Mr J Baxter
Dr A F J Choho

Secretary

Mr A M Carr

Auditors

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

Bankers

The Royal Bank Of Scotland plc
1 Hardman Boulevard
Manchester
M3 3AQ

Registered office

Hinton House
Risley
Warrington
Cheshire
WA3 6GR

Strategic report

The directors present their Strategic report for the year ended 31 March 2019.

Principal Activities and future developments

These financial statements contain certain forward-looking statements with respect to the financial condition and business of Sellafield Limited (the Company). Statements or forecasts relating to events in the future necessarily involve risk and uncertainty and are made by the Company in good faith based on the information available at the date of signing this report.

The Company undertakes no obligation to update these forward-looking statements. Nothing in these financial statements should be construed as a profit forecast nor should past performances be relied upon as a guide to future performance.

The principal role of the Company is to operate nuclear sites under the site licence and a Services Agreement between itself and the Nuclear Decommissioning Authority (NDA) in a safe, secure, efficient and cost effective manner and in accordance with its Corporate Plan and Operating Plan. The Company is responsible for safely delivering the decommissioning and clean-up of the UK's nuclear legacy as well as fuel recycling and the management of low, high and intermediate level waste activities on behalf of the NDA, including the receipt and treatment of spent fuel, the storage of hazardous materials, the decommissioning and clean-up of installations, and the maintenance of laboratory and other facilities.

The Company operates under the Services Agreement between the Company and NDA, as a wholly owned subsidiary of NDA. In accordance with the Energy Act 2004, NDA has tasked the Company with carrying out activities set out in the NDA Designation of Sellafield.

The Company's primary site is the Sellafield nuclear site in West Cumbria. The Company also has an engineering, design and functional support capability at its Risley office, near Warrington, and several offices in the West Cumbrian community. In the year ended 31 March 2019, all costs incurred by the Company in the performance of the Services Agreement are directly recoverable from the NDA (2018: same).

In 2018/19, the directors' aim was to operate the nuclear sites safely and securely, and to meet the targets and milestones set by the NDA.

Review of business

During the year the Company incurred operating costs of £2,035 million (2018: £2,011 million). This expenditure is recoverable from the NDA under the Services Agreement and represents the operational costs of the Sellafield site including expenditure on:

- carrying out the environmental clean-up of the UK's most complex and hazardous nuclear site, Sellafield;
- decommissioning nuclear facilities;
- receiving, reprocessing and storing used nuclear fuel;
- managing the UK's special nuclear materials;
- delivering capital projects to support the mission, and asset care and maintenance – some of the facilities at Sellafield are 60-70 years old so significant investment is required to ensure that they remain operational and in a safe state prior to decommissioning; and
- the safe treatment of low level, intermediate level and high level waste.

Safety Performance

Doing this work safely, whilst maintaining the security of the site and nuclear assets, is our priority. In 2018/19 our safety performance was mixed. We had no significant nuclear site incident reports for the second year running, but we did have a number of lost time accidents, environmental conditions and personal contamination events that impacted on our overall safety and environmental trends. This resulted in some of the annual metrics performing less favourably than previous years. The Company is continuing to focus on improvements in error prevention and creating the right mind-set and environmental awareness.

The Company is committed to safety, and keeping its workforce, supply chain partners, local communities, facilities and environment safe is its overriding priority.

The Company measures its safety performance against industry best practice at a national and international level, aided through its membership of the World Association of Nuclear Operators, and through various Key Performance Indicators (KPIs). In the year ended 31 March 2019 the Company's Lost Time Accidents Rolling 12 month rate was 0.20 (2018: 0.13) and the Total Recordable Injuries Rolling 12 month rate was 0.33 (2018: 0.26). In 2018/19 the Company had one Level 1 International Nuclear Events Scale (INES) event (2017/18: four Level 1 events). The overall Environment and Safety themes and KPIs for 2018/19 have shown a downturn when compared with previous years. The majority of events are associated with routine work rather than large high risk tasks. A greater understanding of risks at the workforce level is the key driver for delivering improvements.

One of the ways that we are making Sellafield safer is through the clean-up of our highest hazards on the site. The Company made good progress this year, including:

- installing retrievals equipment on the Pile Fuel Cladding Silo and the Magnox Swarf Storage Silos;
- continuing to retrieve fuel, waste and sludge from the First Generation Magnox Storage Pond and Pile Fuel Storage Pond; and
- re-purposing existing waste plants so that we can retrieve waste from the ponds and silos before new waste storage buildings are available.

Also during 2018/19, the Company:

- completed the construction of a facility that will maintain retrieval equipment for our legacy silos – the Silo Maintenance Facility;
- repurposed our waste encapsulation plants so that they can treat and store solid waste from the Pile Fuel Storage Pond, waste from Harwell and waste from the legacy silos; and
- started work to remove the diffuser from the ventilation stack damaged by the Windscale Fire in 1957.

Strategic report
continued

In November 2018, the Company completed the shearing of the final batch of fuel in the Thermal Oxide Reprocessing Plant (Thorp), which began operating a quarter of a century ago. This was a significant milestone for the Company, and with the end of reprocessing in Thorp in 2018, and the planned cessation of Magnox Reprocessing in 2020, our focus is shifting to environmental remediation including waste management and clean up.

Changing the way that we work with our supply chain

The Company cannot deliver the challenges alone. We rely on our supply chain partners, from the experience and capability of global companies to the innovation and agility of small to medium sized enterprises. Our long-term alliance frameworks are delivering great benefit in decommissioning, design and infrastructure.

In May 2019 the Company extended this approach to project management through a twenty year contractual arrangement – Programme and Project Partners, which will help the Company deliver mission critical capital projects at Sellafield, with the Company acting both as intelligent client and delivery partner.

We have also introduced LINC, an initiative that simplifies the procurement process and allows small to medium sized enterprises to collaborate and bid directly for defined packages of work.

Financial Performance

During 2018/19 the Company's performance has been good overall in relation to meeting the targets and milestones set by the NDA, demonstrating progress in all areas of its accountability, including high hazard reduction, nuclear operations and safe secure stewardship.

Under the Services Agreement between the Company and NDA, the Company has to control its expenditure within agreed funding limits, and operate the Sellafield site safely and securely whilst meeting targets and milestones agreed with its shareholder, NDA. Management and employee incentivisation schemes are linked to their achievement. In the year the Company spent 100% of the funds available (2018: 99.7%).

The Company's challenge is to deliver more hazard and risk reduction by becoming more efficient. This means reducing the cost of work at Sellafield, diverting money from overheads to front line decommissioning, retraining and reskilling people into priority work, and working differently with the supply chain.

Under the Services Agreement, revenue represents the reimbursement of operating costs incurred under the Services Agreement in accordance with the principal activity of the Company.

In 2018/19 the operating result before taxation and research and development tax credits was £nil (2018: £0.3million profit).

The result for the year, after taxation, amounted to £nil (2018: £nil).

During the year the Company employed, excluding directors, an average of 11,029 employees (2018: 10,959) at a total cost of £751 million (2018: £751 million) after taxes and pension costs. The Company's work on the Sellafield site also supports a significant number of supply chain and agency workers. At 31 March 2019, there were 513 agency staff (31 March 2018: 564).

The Company is tackling unique challenges, in particular, in respect of the safe clean up and decommissioning of the Legacy Ponds and Silos buildings. In the year the Company invested £77 million on research and development (R&D) (2018: £84 million), with the majority of the R&D directly supporting the clean-up of the legacy facilities, reprocessing and fuel fabrication plants, waste management facilities and the infrastructure of the site. R&D costs are directly recoverable from the NDA under the Services Agreement.

In 2018/19 the operating costs of £2,035 million (2018: £2,011 million) includes external spend on donations in relation to socio-economic expenditure of £9.9 million (2018: £5.3 million), of which £9.7 million was paid in 2018/19 (2018: £5.2 million) and £0.2 million is committed and will be paid during 2019/20 (2018: £0.1 million). In 2018/19 under the terms of the Services Agreement this socio-economic expenditure was recoverable from NDA.

Under the Services Agreement, the Company agrees in advance the level of socio-economic expenditure with its shareholder, NDA, and all such expenditure is recoverable by the Company. The Company made no political contributions during the year (2018: £nil).

In previous years, the Company has made social impact donations totalling £10.6m to the Whitehaven Campus project, and during 2018/19 the new school (Whitehaven Campus) opened. During the year, in partnership with the NDA, the Company delivered significant social impact investments with the creation of a programme to improve secondary school performance in West Cumbria (The Well Project).

At 31 March 2019, the Company's Statement of financial position includes £759 million (2018: £668 million) in respect of the deficits on the Sellafield Limited related defined benefit sections of the Combined Nuclear Pension Plans (CNPP). These deficits have been calculated by the scheme actuary, who has performed actuarial valuations at 31 March 2019 in accordance with International Accounting Standard 19 (R) (IAS 19 (R)). Further disclosures are available in note 16. The NDA is the principal employer of the CNPP and as a result the Statement of financial position includes an NDA debtor for the full value of the deficits.

In addition, the Statement of financial position includes Trade and other receivables (note 10) of £349 million at 31 March 2019 (2018 as restated: £430 million) which includes monies due from NDA under the terms of the Services Agreement and monies due from HM Revenue & Customs in respect of group relief claims and R&D tax credits. At 31 March 2019 the Company had current liabilities (note 12) of £350 million (2018 as restated: £442 million) including accruals, trade creditors, employee creditors, VAT and payroll taxes, which principally relate to the costs being managed under the Services Agreement and the operation of the Sellafield site.

Strategic report
continued

Principal risks and uncertainties

As previously stated, the Company operates the Sellafield nuclear site under the site licence and a Services Agreement between itself and the NDA, and this includes managing some of the most significant nuclear risks in Europe. The Company follows the Financial Reporting Council's UK Corporate Governance Code to the extent that it is considered applicable by the Board. The Company has comprehensive risk management and risk reporting processes to manage all nuclear, business, safety, security, operational and financial risks related to the Sellafield site.

As discussed in note 2.2m, if required the Company uses forward foreign currency contracts and currency options to reduce foreign exchange rate exposure on certain assets, liabilities and firm commitments. During the year the Company did not engage in such activities (2018: same). The Company does not engage in speculative treasury arrangements, and all of its activities are designed to support underlying business activities. All treasury activities are carried out under policies approved by the Board.

The Company's maximum exposure to credit risk is the carrying value of the Company's financial assets as reported in the Statement of financial position. Trade and other receivables principally includes Company operating costs recoverable from the NDA, which as discussed in note 10 are considered to be contract assets under IFRS15 and recoverable under the terms of the Services Agreement. Therefore the directors consider the risk of financial loss to be remote.

The Company's liquidity risk is managed via the working capital arrangements described in note 11. Exposure to price and cash flow risks are not significant to the results and affairs of the Company.

The Company does not have major working capital requirements because all expenditure incurred by the Company is reimbursed by the NDA under defined contract terms within the Services Agreement, and the Company's working capital requirements are provided by NDA. In particular the majority of the Company's payments to suppliers, employees and third parties are funded through a cash drawdown agreement with the NDA, and the NDA also provides the Company with a working capital facility of £2.5 million so that the Company's other liabilities can be met as they fall due.

Under the Energy Act 2004, the NDA has a statutory obligation to provide adequate funding to enable the Company to manage risks and keep the Sellafield site safe and secure.

The Company does not have significant supplier or credit risks (2018: same).

The nuclear industry is regulated by bodies such as the Environment Agency and the Office for Nuclear Regulation, and the Company has detailed processes, procedures and controls to ensure that it complies with all aspects of this regulatory environment. Any fines arising as a result of the Company's non-compliance are reimbursable costs under the Services Agreement with the NDA.

By order of the board

A M Carr
Secretary

Date: 20 June 2019
Registered Company Number: 01002607

Hinton House
Risley
Warrington
Cheshire
WA3 6GR

Directors' report

The directors present their Directors' report for the year ended 31 March 2019.

Directors

The directors who held office during the year and to the date of this report were as follows:

Mrs L I Baldry
(Chair, appointed 1 May 2018)

Mr P Foster
(Chief Executive Officer)

Mr J M Seddon

Mr M J Chown

Mr D M Thompson
(resigned 7 March 2019)

Mr A D Cumming
(appointed 3 April 2018)

Mr N W R Smith
(acting Chair to 30 April 2018)

Dr D Byrne

Mr J Baxter

Dr A F J Choho

Secretary

Mr A M Carr

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company (2018: same). According to the register of directors' interests, no rights to subscribe for shares in or debentures of the Company were granted to any of the directors or their immediate families, or exercised by them, during the financial year (2018: same).

Directors' and officers' liability insurance

Directors' and officers' liability insurance is provided, covering inter alia the defence costs of civil legal proceedings and the damages resulting from the unsuccessful defence of such proceedings except, in each case, to the extent that a Director or Officer acted fraudulently or dishonestly (2018: same).

Directors' indemnities

As at the date of this report, the Company entered into Deeds of Indemnity with certain of the directors (2018: same). These indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006 (UK).

Policy and practice on payment of creditors

The Company has continued its commitment to the Prompt Payers Code of Practice drawn up by the Confederation of British Industry (CBI), with rigorous monitoring of payment performance. Copies of the Code are available from CBI, Centre Point, 103 New Oxford Street, London, WC1A 1DU. Over the year 95% (2018: 97%) of invoices submitted against the standard payment terms were paid on time.

Employees

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

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

A recent NDA group survey on equality, diversity and inclusion (ED&I) revealed some unsettling facts about the Company's culture and the way staff treat each other. In 2018/19 we started to tackle this, introducing an ED&I council and launching campaigns to address mental health, bullying and harassment. We have more work to do in this area and will continue to prioritise it in 2019/20 so that we can become the organisation that we want to be in line with our core values.

Going concern

Under the Services Agreement between the Company and the NDA, the Company's working capital requirements are provided by NDA. In particular the majority of the Company's payments to suppliers, employees and third parties are funded through a cash drawdown agreement with the NDA, and the NDA also provides the Company with a working capital facility of £2.5 million so that the Company's other liabilities can be met as they fall due.

Having reviewed the cash flow forecasts against agreed funding levels, and having considered sensitivities to cash flows, the directors have concluded that the use of the going concern basis of accounting is appropriate and that there are no material uncertainties related to events or conditions that may cast doubt about the ability of the Company to continue as a going concern.

Research and development (R&D) expenditure

The Company's activities and expenditure in respect of R&D are discussed in the Strategic report.

Directors' report
continued

Financial instruments

The Company finances its activities through the working capital facilities described in note 11. Use of derivatives and other financial instruments and the Company's exposure to price, credit, and liquidity and cash flow risks is described in the Strategic report.

Events since the balance sheet date

On 2 April 2019, the Company appeared in Carlisle Crown Court in relation to an Office for Nuclear Regulation (ONR) prosecution in respect of the contamination of an employee on 5 February 2017. The Company pleaded guilty and was fined £380,000 and ordered to pay prosecution costs of £97,000.

Directors' statement regarding information to the auditors

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

Annual General Meeting and Auditors

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

During the year the Company changed its auditors from Ernst & Young LLP to Mazars LLP.

By order of the board

A M Carr
Secretary

Date: 20 June 2019
Registered Company Number: 01002607

Hinton House
Risley
Warrington
Cheshire
WA3 6GR

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, Directors' report and the Company financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare 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 present fairly the financial position and financial performance of the Company for that period.

In preparing the Company 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

Independent auditor's report

to the members of Sellafield Limited

Opinion

We have audited the financial statements of Sellafield Limited (the 'Company') for the year ended 31 March 2019 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its result 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Independent auditor's report

to the members of Sellafield Limited – continued

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

The 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.

Timothy Hudson

(Senior Statutory Auditor)
For and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Mazars LLP, One St Peter's Square,
Manchester, M2 3DE

20 June 2019.

Income statement

For the 12 months ended 31 March 2019

	Note	2019 £m	2018 £m
Revenue	4	**2,035**	2,011
Operating costs	5	**(2,035)**	(2,011)
Operating profit from continuing operations before research and development (R&D) tax credits		**–**	–
R&D tax credits		**9**	9
NDA share of R&D tax credits		**(7)**	(7)
Operating profit from continuing operations		**2**	2
Profit on continuing activities before taxation		**2**	2
Tax expense	9	**(2)**	(2)
Profit for the year		**–**	–
Profit attributable to:			
Equity holders of the Company		**–**	**–**

All of the Company's operations in both 2019 and 2018 are continuing.

Statement of comprehensive income

For the 12 months ended 31 March 2019

	Note	2019 £m	2018 *Restated (note 19)* £m
Profit for the year		–	–
Other comprehensive income items that will not be reclassified to profit or loss :			
Actuarial gains and losses on the GPS and Sellafield sections of the CNPP defined benefit pension plan, offset by movements in the fair value of the corresponding NDA asset	16	–	–
Total other comprehensive income items that will not be reclassified to profit or loss for the year, net of tax		–	–
Total comprehensive income for the year		–	–
Total comprehensive income attributable to:			
Equity holders of the Company		–	–

Statement of financial position

At 31 March 2019

	Note	31 March 2019 £m	31 March 2018 Restated (note 19) £m
Assets			
Non-current assets			
NDA receivable in respect of pension liability	16	759	668
Total non-current assets		759	668
Current assets			
Trade and other receivables	10	349	430
Cash and cash equivalents	11	1	12
		350	442
Total assets		1,109	1,110
Current liabilities			
Trade and other payables	12	(350)	(442)
Non-current liabilities			
Pension liability	16	(759)	(668)
Total liabilities		(1,109)	(1,110)
Net assets		–	–
Capital and reserves			
Equity share capital	13	–	–
Retained earnings		–	–
Total equity		–	–

These financial statements were approved by the board of directors on 20 June 2019 and were signed on its behalf on 20 June 2019 by:

Jon Seddon
Finance Director

Registered Company Number: 01002607

Statement of changes in equity

For the year ended 31 March 2019

	Share capital £m	Retained earnings £m	Total equity £m
Shareholders' funds at 1 April 2017	–	–	–
Total comprehensive income for the year	–	–	–
Changes in equity for year ended 31 March 2018	–	–	–
Shareholders' funds at 31 March 2018	**–**	**–**	**–**
Total comprehensive income for the year	–	–	–
Changes in equity for year ended 31 March 2019	–	–	–
At 31 March 2019	**–**	**–**	**–**

Notes to the financial statements

1 Corporate information

The financial statements of the Company for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the directors on 20 June 2019. The Company is a limited company incorporated and domiciled in England. The registered office is located at Hinton House, Risley, Warrington, Cheshire WA3 6GR in the UK.

The immediate parent undertaking is the Nuclear Decommissioning Authority (NDA). The consolidated financial statements of the NDA are available to the public and may be obtained from its headquarters at Herdus House, Westlakes Science and Technology Park, Moor Row, Cumbria, CA24 3HU.

The Company's shareholder, NDA, is a Non Departmental Public Body sponsored by the Department for Business, Energy and Industrial Strategy. As a result, in the Directors' opinion, the Company's ultimate controlling party is Her Majesty's Government.

The principal activity of the Company is to operate nuclear sites under the site licence and a Services Agreement with the NDA.

The Company operates under the Services Agreement between the Company and NDA, as a wholly owned subsidiary of NDA. In accordance with the Energy Act 2004, NDA has tasked the Company with carrying out activities set out in the NDA Designation of Sellafield including the receipt and treatment of spent fuel, the storage of hazardous materials, the decommissioning and clean-up of installations and the maintenance of laboratory and other facilities.

Under the Services Agreement between the Company and NDA, the Company has to control its expenditure within agreed funding limits, and operate the Sellafield site safely and securely whilst meeting targets and milestones agreed with its shareholder, NDA. Management and employee incentivisation schemes are linked to their achievement.

Revenue represents the reimbursement of costs incurred under the Services Agreement in accordance with the principal activity of the Company.

2.1 Basis of preparation and statement of compliance

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101 *'Reduced disclosure Framework'* (FRS 101). The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2019.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS7 *Financial Instruments: Disclosures*;
- the requirements of IAS7 *Statement of Cash Flows*;
- the requirements of IAS24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of IAS24 *Related Party Disclosures* to disclose the costs of the Key Management Personnel of the Company;
- the requirements of IAS8 *Accounting Polices, Changes in Accounting Estimates and Errors* to disclose details of new IFRS's which have been issued but are not yet effective or have not yet been applied;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS1 *Presentation of Financial Statements*; and
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS15 *Revenue from Contracts with Customers*.

Equivalent disclosures are given in the group accounts of the NDA, which are available to the public and can be obtained as set out above. The financial statements are presented in Sterling and all values are rounded to the nearest million pounds (£m) except where otherwise indicated.

The Company's financial assets include cash and cash equivalents and trade and other receivables, the measurement of which are described in notes 2.2n and 2.2k respectively. The Company's financial liabilities comprise trade and other payables (note 2.2q), leases (note 2.2d) and loans and borrowings (note 2.2o).

Notes to the financial statements
continued

2.1 Basis of preparation and statement of compliances (continued)

New standards and interpretations mandatorily applicable for financial periods beginning on 1 April 2018

IFRS15 Revenue from contracts with customers

On 22 September 2016, the European Union endorsed IFRS15 Revenue from Contracts with Customers which supersedes IAS11 on Construction Contracts, IAS18 on Revenue for the sale of goods and the rendering of services, as well as other related interpretations. The new standard became effective for the Company for the year beginning on 1 April 2018.

Under the Services Agreement, the NDA reimburses the Company for operating costs incurred in accordance with the principal activity of the Company, which is the operation of the Sellafield site in a safe, secure, efficient and cost effective manner.

Applying the new standard has had no impact on the Company's financial statements.

IFRS9 Financial Instruments

IFRS9 Financial Instruments, which is effective for the Company from 1 April 2018 includes revised guidance on the classification and measurement of financial instruments, as well as impairment of financial assets and also introduces new general hedge accounting requirements. The application of this Standard has not led to changes to the financial statements of the Company.

2.2 Summary of significant accounting policies

a Property, plant and equipment

The Company does not own any property, plant and equipment. Under the Energy Act 2004, all assets previously owned by the Company were transferred on 1 April 2005, with the majority being transferred to the NDA. The Company utilises the NDA's assets as provided for within the Services Agreement between the NDA and the Company.

b Foreign currencies

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

c Revenue recognition

The Company operates under the Services Agreement between the Company and NDA, as a wholly owned subsidiary of NDA.

The principal role of the Company is to operate nuclear sites under the site licence and a Services Agreement between itself and the NDA in a safe, secure, efficient and cost effective manner and in accordance with its Corporate Plan and Operating Plan. The Company is responsible for safely delivering the decommissioning and clean-up of the UK's nuclear legacy as well as fuel recycling and the management of low, high and intermediate level waste activities on behalf of the NDA, including the receipt and treatment of spent fuel, the storage of hazardous materials, the decommissioning and clean-up of installations, and the maintenance of laboratory and other facilities.

The Company only has one contract with the NDA, which is its only customer. Under the Services Agreement, the costs incurred by the Company are reimbursed by the NDA as incurred, on an accruals basis. NDA reimburses the Company in line with an agreed cash drawdown process and working capital arrangement.

There is no concept of disallowable costs under the Services Agreement and cost reimbursement by the NDA is not linked to the delivery of specific services or milestones, or the achievement of targets and success criteria, although the Company's management and employee incentivisation schemes are linked to their achievement.

Management consider that in respect of IFRS15, there is only one performance obligation within the Services Agreement between the Company and NDA, and that this obligation is delivered over time as the Company is reimbursed for costs incurred, and control is passed over time to its customer, the NDA.

IFRS15 states that an entity recognises revenue over time if one of the following criteria is met:

- The customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs;
- The entity's performance creates or enhances an asset that the customer controls as the asset is created; or
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for the performance completed to date.

In the case of the Services Agreement, all three of the criteria above apply.

Notes to the financial statements

continued

2.2 Summary of significant accounting policies (continued)

c Revenue recognition (continued)

Revenue represents the reimbursement of operating costs incurred by the Company under the Services Agreement in accordance with the principal activity of the Company. Revenue is shown net of VAT.

In 2018/19, the Company received miscellaneous revenue (Category 2 income) of £8m (2017/18: £9m) in respect of rental income and services provided to NDA affiliates and other third parties who are resident on the Sellafield site, and sales of NDA assets. Under the terms of the Services Agreement, income received by the Company is transferred to the NDA, with NDA bearing any credit risks. As a result, the Company considers that it is acting as the agent of NDA in respect of Category 2 income, rather than the principal, and the revenue shown in the Income statement excludes Category 2 income.

d Leases

Company as a lessee

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and the rentals payable are charged to the Income statement on a straight line basis over the lease term. Operating lease rentals are recoverable from the NDA under the terms of the Services Agreement.

An agreement or part of an agreement that has the substance of a lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company are classified as finance leases. Finance lease liabilities are recognised at the commencement of the lease at the present value of minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Company as a lessor

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

e Post-retirement benefits

The Company provides pension plans for the benefit of all of its employees. The schemes are funded by contributions partly from the employees and partly from the Company. These payments are made to separately administered funds for the Sellafield section of the Combined Nuclear Pension Plan (CNPP), the Group Pension Scheme (GPS) section of the CNPP and the Electricity Supply Pension Scheme (ESPS). The CNPP defined benefit pension plan was closed to new employees with effect from 24 November 2008, from which time membership of a CNPP defined contribution plan is available.

The NDA is the principal employer of the CNPP, and is ultimately responsible for funding any pension fund deficits for the defined benefit sections of the CNPP. The level of employer contributions paid by the Company is determined by the CNPP Trustees based on the latest triennial actuarial valuations. Under the Services Agreement between the Company and NDA, the employer contributions paid by the Company are included in operating costs shown in the Income Statement and are reimbursed by the NDA.

Amounts relating to the current and past service costs and net interest on the net defined benefit liability are shown in note 16, but are not shown in the Income Statement. This reflects the fact that any overall pension surplus or deficit is for the benefit of, or to be funded by, the NDA, and therefore there are offsetting amounts to or from the NDA, which the Company has disaggregated under paragraph 116 of IAS19.

Paragraph 116 of IAS19, states that when it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, an entity shall disaggregate and recognise changes in the fair value of its right to reimbursement in the same way as for changes in the fair value of plan assets. The components of defined benefit cost recognised in accordance with paragraph 120 of IAS19 may be recognised net of amounts relating to changes in the carrying amount of the right to reimbursement.

As stated, the NDA is the principal employer of the CNPP and ultimately responsible for funding any deficit. As a result, the deficits on both defined benefit sections of the CNPP are recognised in full in the Company's Statement of financial position with a corresponding asset from NDA for the full value of the deficit, which represents the fair value of the asset.

In accordance with paragraphs 116 and 120 of IAS19, re-measurements of the defined benefit liabilities and assets are recognised in the Statement of comprehensive income, offset by movements in the fair value of the corresponding asset from the NDA. As a result, the Company has disaggregated these offsetting movements in the Statement of comprehensive income.

Notes to the financial statements
continued

2.2 Summary of significant accounting policies (continued)

e Post-retirement benefits (continued)

The defined benefit pension asset or liability comprises the total for each plan of the present value of the defined benefit obligations (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

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

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

f Research and development expenditure and government credits

Research and development costs are expensed as incurred and are directly recoverable from the NDA under the Services Agreement.

The Company claims research and development government credits in the UK, and these credits are judged to have characteristics more akin to grants than income taxes. Credits are recognised to the extent there is reasonable assurance they will be received which, given the necessary claims processes, can be some time after the original expense is incurred.

g Inventories

Inventories and work in progress were transferred to the NDA with effect from 1 April 2005 under the Energy Act 2004. Raw material and consumable costs are directly recoverable from the NDA under the terms of the Services Agreement.

h Provisions

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

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

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

i Borrowing costs

Borrowing costs are recognised as an expense when incurred.

j Exceptional items

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

Notes to the financial statements
continued

2.2 Summary of significant accounting policies (continued)

k Trade and other receivables

Other receivables principally comprise Company operating costs recoverable from NDA, which are considered to be contract assets under IFRS15 under the terms set out in note 10 and recoverable under the terms of the Services Agreement. Company operating costs recoverable from NDA generally have 30-90 day terms, and the directors consider the risk of financial loss to be remote.

Other debtors are initially recognised at fair value, which in most cases approximates to the nominal value. They are subsequently re-measured at amortised cost using the effective interest rate method. They are reviewed for impairment by applying the expected credit loss model, in accordance with IFRS9. Any difference between the carrying value and the impaired value (net realisable value) is recorded within income from operations. The impairment loss can be reversed if the value is recovered in the future. In that case, the reversal of the impairment loss is reported within income from operations.

In 2018/19, the Company received miscellaneous revenue (Category 2 income) of £8m (2017/18: £9m) in respect of rental income and services provided to NDA affiliates and other third parties who are resident on the Sellafield site, and sales of NDA assets. Under the terms of the Services Agreement, income received by the Company is transferred to the NDA, with NDA bearing any credit risks. As a result, the Company considers that it is acting as the agent of NDA in respect of Category 2 income, rather than the principal, and Trade and other receivables excludes any amounts due in respect of Category 2 income.

l Income taxes

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

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

m Derivatives and commodity contracts

All treasury activities are carried out under policies approved by the Board. If required the Company uses forward foreign currency contracts and currency options to reduce foreign exchange rate exposure on certain assets, liabilities and firm commitments. Derivative financial instruments are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Any gains and losses arising from changes in the fair value of derivative contracts are taken to the Income statement. During the year the Company did not engage in such activities (2018: same). Company policy and practice is to review all new sales and purchase agreements to ensure that they do not include embedded leases.

n Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

o Interest bearing loans and borrowings

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

p De-recognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the Income statement.

q Trade and other payables

Trade and other payables are non-interest bearing and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest rate method.

r Operating profit

Operating profit is stated before research and development tax credits and taxation.

Notes to the financial statements
continued

3 Significant accounting judgements, estimates and assumptions

Judgements

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

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

Research and development expenditure credits

The Company claims research and development government credits in the UK. Management judgement is required to determine the expenditure that is likely to meet HM Revenue and Custom's criteria for qualifying research and development credits. Research and development credits are recognised to the extent that there is reasonable assurance they will be received which, given the necessary claims processes, may be some time after the original expense is incurred.

Taxation

The Company is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for tax on the basis of professional advice and the nature of current discussions with the tax authority concerned. Tax computations for all periods ending before 31 March 2017 have been agreed with the relevant authorities.

Other commitments having the legal form of a lease

As discussed in note 15, in 2014/15 the Company entered into two 30 year leases with the NDA in respect of an office development with a rental value of £1,271,000 per annum. In previous years, the lease liabilities were shown as finance lease creditors because the leases were considered to have many of the attributes of finance leases.

Under the terms of the Services Agreement between NDA and the Company, the lease payments made by the Company including finance charges are included in operating costs shown in the Income statement and are reimbursed by the NDA.

The NDA bears the ultimate risks and rewards associated with the office development, and as a result, in previous years, instead of disclosing the office development as buildings held under finance leases, the reimbursement of the future lease payments by NDA were included in Other debtors.

During 2018/19, the directors have reconsidered the nature of these transactions, and consider that they are more akin to licences to occupy rather than finance leases. As a result, the Company's Statement of financial position at 31 March 2018 has been restated to remove the finance lease creditor and corresponding NDA debtor. This restatement has no impact on the Income statement for the year ended 31 March 2018.

Estimates and assumptions

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

Operating costs

The operating costs, which are recoverable from the NDA under the Services Agreement, include management estimates for any known risks such as sub-contractor and supplier claims.

Notes to the financial statements
continued

3 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Pension benefits

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

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rates are based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Further details about the assumptions used are given in Note 16.

4 Revenue

Geographical Segment Analysis

In both 2019 and 2018, all revenue relates to the operation of the Services Agreement in the UK.

Notes to the financial statements
continued

5 Operating profit

This is stated after charging/(crediting):

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Research and development costs	**77,275**	84,081
Gain recognised in respect of Gen 2 sale	**(1)**	(1,695)
Proceeds paid to NDA in respect of Gen 2 sale	**1**	1,373
Net gain recognised in respect of Gen 2 sale	**–**	(322)
Operating lease payments in respect of:		
Land and buildings	**4,570**	4,599
Motor vehicles	**670**	715
Others – Photocopiers	**2,588**	–
Total operating lease payments	**7,828**	5,314

On 15 May 2017 the Company sold its 20% interest in Gen 11 Engineering and Technology Training Limited (Gen 2) to City & Guilds Group. Gen 2 is a company limited by guarantee and was established in 2000 as a joint venture by the Company and four other major employers with locally based operations in West Cumbria. Gen 2 provides apprentice training and other training services for the engineering, advanced manufacturing, energy and technology sectors. Under the terms of the Services Agreement between the Company and NDA, the Company's interest in Gen 2 was effectively held for the benefit of NDA. Proceeds from the sale of Gen 2 are paid to the NDA.

6 Auditor's remuneration

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Audit	**97**	135
Other fees to auditors:		
Taxation services	**–**	81
Other services – fees receivable by the auditors and their associates	**–**	4
	97	220

Notes to the financial statements
continued

7 Remuneration of directors

	Year ended 31 March 2019 £000	Year ended 31 March 2018 *Restated* £000
Directors' emoluments	**1,288**	1,462
Aggregate amounts receivable under long term incentive plans	**37**	77
Post-retirement benefit costs	**69**	82
Total directors' remuneration	**1,394**	1,621

The Executive Directors are employees of the Company, and the directors' remuneration in the table above includes the cost of their qualifying service as directors, including the fees paid to non-executive directors.

In 2018/19 the highest paid director was employed by the Company and their aggregate emoluments were £498,610 (2017/18 as restated: £479,993) which includes employers pension contributions of £40,500 (2017/18: £40,500), benefits in kind and estimated bonus payments.

In 2018/19 none of the directors were active members of the Company's defined benefit pension plans discussed in note 16 (2017/18: nil). During 2018/19 two of the directors were active members of the defined contribution section of the Combined Nuclear Pension Plan discussed in note 16 (2017/18: three).

In 2018/19 two of the directors were deferred members of the Combined Pension Scheme (2017/18: three). The scheme is discussed in note 16.

The Company's Executive Directors participate in Long Term Incentive Plans which allow the participants to receive bonuses based on the performance of the Company over three year periods.

Total directors' remuneration for the year ended 31 March 2018 has been restated from £1,822,000 to £1,621,000 to exclude employer's national insurance.

Notes to the financial statements
continued

8 Employee benefits expense

The average monthly number of persons employed by the Company, excluding directors, during the year was made up as follows:

	Year ended 31 March 2019 Number	Year ended 31 March 2018 Number
Staff in support functions	**2,105**	2,093
Staff engaged in projects and site operations	**8,924**	8,866
	11,029	10,959

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

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Wages and salaries	**579**	588
Social security costs	**66**	68
Pension costs	**106**	95
	751	751

Pension costs disclosed above represent employer contributions paid in respect of defined benefit schemes £82 million (2018: £75 million), defined contribution schemes £22 million (2018: £20 million) and other pension costs £2 million (2018: £nil). All contributions paid and other pension costs incurred are included in operating costs and under the Services Agreement are recovered from the NDA on a paid basis. Amounts relating to the net benefit expense under IAS19(R) for the two defined benefit pension schemes are £180 million (2018: £186 million) before reimbursement rights, as shown in note 16.

The NDA is the principal employer of the CNPP, and the NDA is ultimately responsible for funding any pension fund deficits for the defined benefit sections of the CNPP. The level of employer contributions paid by the Company is determined by the CNPP Trustees based on the latest triennial actuarial valuations. Under the Services Agreement between the Company and NDA, the employer contributions paid by the Company are included in operating costs shown in the Income Statement and are reimbursed by the NDA.

Amounts relating to the current and past service costs and net interest on the net defined benefit liability are shown in note 16, but are not shown in the table above or on the face of the Income statement. This reflects the fact that any overall pension surplus or deficit is for the benefit of, or to be funded by, the NDA, and therefore there are offsetting amounts to or from the NDA, which the Company has disaggregated under paragraph 116 of IAS19.

Paragraph 116 of IAS19, states that when it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, an entity shall disaggregate and recognise changes in the fair value of its right to reimbursement in the same way as for changes in the fair value of plan assets. The components of defined benefit cost recognised in accordance with paragraph 120 of IAS19 may be recognised net of amounts relating to changes in the carrying amount of the right to reimbursement.

Notes to the financial statements
continued

9 Income tax

The major components of income tax expense for the years ended 31 March 2019 and 2018 are:

Income statement

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Current income tax:		
UK corporation tax	2	2
Amounts claimed as group relief in respect of previous years (note 10)	–	(6)
Amounts payable in relation to group relief claimed in respect of previous years (note 12)	–	6
Income tax expense reported in the Income statement	**2**	**2**

The reconciliation between the tax charge and the product of the accounting profit multiplied by the UK's domestic corporation tax rate for the years ended 31 March 2019 and 2018 is as follows:

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Profit from continuing operations before taxation	2	2
Accounting profit multiplied by the UK rate of corporation tax of 19% *(2018: 19%)*	–	–
Effects of:		
Permanent differences	2	2
Total income tax charge	**2**	**2**

Factors affecting the future tax charge

Under the Services Agreement, R&D tax credits that arise are wholly to the benefit of the NDA. As a result, the accounts include a creditor that reflects the NDA's interest in the Company's R&D tax credits (note 12).

Finance (No.2) Act 2015 received Royal Assent on 18 November 2015 and as a result a reduction in the UK corporation tax rate to 19%, with effect from 1 April 2017, was enacted. On 15 September 2016, Finance Act 2016 received Royal Assent. As a result a further reduction in the UK corporation tax rate to 17%, with effect from 1 April 2020, was enacted.

Notes to the financial statements
continued

10 Trade and other receivables

	2019 £m	2018 *Restated (note 19)* £m
Trade receivables (see note 2.2k)	–	–
Company operating costs recoverable from the NDA	330	415
R&D tax credit	19	9
Tax amounts claimed as group relief	–	6
	349	430

Company operating costs recoverable from the NDA of £330 million (2018 as restated: £415 million) are non-interest bearing and are on terms set out in the Services Agreement. Receivables represent monies due from the NDA under the Services Agreement. The NDA reimburse the Company in line with an agreed cash drawdown process and working capital arrangement. The reimbursement of costs by the NDA is not linked to the delivery of milestones and targets.

There are no provisions for impairment of trade and other receivables at 31 March 2019 (31 March 2018: £nil). All trade and other receivables are denominated in Sterling and the carrying value approximates to fair value.

11 Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank and in hand	1	12
	1	12

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents at 31 March 2019 is £1 million (31 March 2018: £12 million). The Company only deposits cash surpluses with major banks of high quality credit standing.

The Company does not have major working capital requirements because all expenditure incurred by the Company is reimbursed by the NDA under defined contract terms within the Services Agreement, and the Company's working capital requirements are provided by NDA. In particular the majority of the Company's payments to suppliers, employees and third parties are funded through a cash drawdown agreement with the NDA, and the NDA also provides the Company with a working capital facility of £2.5 million so that the Company's other liabilities can be met as they fall due.

Royal Bank of Scotland (RBS) provides banking facilities through which the Company manages its working capital and normal treasury activities, and guarantees are in place between RBS, NDA and the Company which support the Company's use of these banking facilities.

Notes to the financial statements
continued

12 Trade and other payables

	2019 £m	2018 Restated (note 19) £m
Current liabilities		
Trade payables	**70**	93
Other taxes and social security costs	**45**	47
Accruals and deferred income (including employee creditors)	**216**	279
Corporation tax	**4**	2
NDA beneficial interest in the R&D tax credits	**15**	15
Amounts payable in respect of group tax relief claimed	**–**	6
	350	442

Trade payables includes contract retention creditors of £15 million (2018: £16 million) which includes amounts expected to be payable after more than one year but within five years of £14 million (2018: £10 million).

Terms and conditions of the above financial liabilities:

- The carrying amount approximates to fair value;
- Trade payables are non-interest bearing and are predominantly settled on either net monthly terms, within 30 days from invoice validation or within 21 days of the supplier invoice date, depending on the commercial contract in place;
- Other payables are non-interest bearing and have an average term of 6 months.

13 Called up share capital

	2019 £m	2018 £m
Authorised		
43,000,000 Ordinary shares of £1 each	**43**	43
1 B share of £1	**–**	–
Allotted, called up and fully paid		
1 Ordinary share of £1 (2018: 1)	**–**	–
1 B share of £1 (2018: 1)	**–**	–

As stated in the Company's Articles of Association, the B shareholder's rights are limited to matters relating to dividend payments and the repayment of capital. At 31 March 2019, the ordinary share of £1 was held by the NDA and the B share of £1 was held by Nuclear Management Partners Limited (NMP) (31 March 2018: same).

14 Contingent liabilities

At 31 March 2019, the Company had contingent liabilities incurred in the ordinary course of business arising out of guarantees and other transactions in respect of which, in the opinion of the Directors, no material losses are expected to arise. Any liabilities that did arise on such matters would ultimately be recovered from the NDA.

Notes to the financial statements
continued

15 Lease arrangements

The Company enters into contractual commitments as part of its business of performing decommissioning activities. Amounts incurred under such contracts are recorded as operating costs and are reimbursed by the NDA.

At the end of the financial year there are no commitments for the acquisition of property, plant and equipment by the Company (2018: £nil).

Operating lease agreements where the Company is lessee

The Company has entered into commercial leases for certain properties, motor vehicles and multi-functional devices, namely photocopying services. The lease for photocopying services has a remaining duration period of 3 years (2018: 4 years). The leases for motor vehicles have durations up to a period of 4 years (2018: 4 years). The leases for properties have remaining durations of between 1 and 25 years (2018: 1 and 26 years). The property lease agreements contain an option for renewal, with these options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of the exercise.

There are no restrictions placed upon the lessee by entering into these leases. Under the Services Agreement, operating lease rentals are reimbursed by the NDA.

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

	2019 £000	2018 £000
Within one year	7,904	5,319
After one year but not more than five years	10,019	5,085
More than five years	4,545	3,596
Total minimum lease payments	22,468	14,000

The Company has sub-let certain properties, held under operating leases, to third parties. The rental income from these operating leases, including the effect of any lease incentives, is recognised on a straight line basis over the lease term. Under the terms of the Services Agreement, rental income received from third parties is transferred to the NDA. The National Nuclear Laboratory (NNL) is the third party in the majority of these agreements.

The future minimum sub-lease payments expected to be received under non-cancellable sub-lease agreements are as follows:

	2019 £000	2018 £000
Within one year	1,432	1,334
After one year but not more than five years	5,421	5,185
More than five years	13,610	13,743
Total minimum sub-lease income	20,463	20,262

Other commitments having the legal form of a lease

In 2014/15 the Company entered into two 30 year leases with the NDA in respect of an office development with a rental value of £1,271,000 per annum. In previous years, the lease liabilities were shown as finance lease creditors because the leases were considered to have many of the attributes of finance leases.

Under the terms of the Services Agreement between NDA and the Company, the lease payments made by the Company including finance charges are included in operating costs shown in the Income statement and are reimbursed by the NDA.

The NDA bears the ultimate risks and rewards associated with the office development, and as a result, in previous years, instead of disclosing the office development as buildings held under finance leases, the reimbursement of the future lease payments by NDA were included in Other debtors.

During 2018/19, the directors have reconsidered the nature of these transactions, and consider that they are more akin to licences to occupy rather than finance leases. As a result, the Company's Statement of financial position at 31 March 2018 has been restated to remove the finance lease creditor and corresponding NDA debtor. This restatement has no impact on the Income statement for the year ended 31 March 2018.

Notes to the financial statements
continued

15 Lease arrangements (continued)

Other commitments having the legal form of a lease (continued)
The future minimum payments under these leases together with the present value of the net minimum lease payments are as follows:

	2019 £000 Minimum payments	2019 £000 Present value of payments	2018 £000 Minimum payments	2018 £000 Present value of payments
Within one year	1,271	1,248	1,271	1,248
After one year but not more than five years	5,084	4,638	5,084	4,638
More than five years	26,056	16,794	27,327	17,381
Total minimum lease payments	32,411	22,680	33,682	23,267
Less amounts representing finance charges	(9,731)	–	(10,415)	–
Present value of minimum lease payments	22,680	22,680	23,267	23,267

16 Pension schemes

Schemes accounted for as defined contribution

The Company accounts for two schemes as if they were defined contribution schemes, the Electricity Supply Pension Scheme (ESPS) and the Combined Pension Scheme (CPS).

The Plans, however, are registered defined benefit final salary schemes with benefits payable on retirement based on reckonable service and pensionable final earnings. The Plans are subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Plans are operated under trust and the trustees are responsible for operating the Plans. They have a statutory responsibility to act in accordance with the Plan's Trust Deed and Rules, in the best interest of beneficiaries of the Plans and UK legislation.

Electricity Supply Pension Scheme (ESPS)
On 31 March 2007, the scheme was sectionalised into various sections; however the Company remains unable to identify its share of the schemes' assets and liabilities, included in The Magnox Electric Group of the ESPS (MEG ESPS), on a consistent and reasonable basis as required by IAS 19 (R). Consequently, the scheme has been accounted for as if the scheme was a defined contribution scheme. The pension charge for the period, which represents contributions payable by the Company to the ESPS, amounted to £186,347 (2018: £182,965).

At 31 March 2019 the Company had 9 employees (2018: 9) who were active members of the ESPS, which has approximately 1,700 active members. The most recent triennial actuarial valuation of the scheme by a qualified independent actuary took place at 31 March 2016. The projected unit method was used. The results of the valuation were market value of scheme assets of £2,706 million (2013 valuation: £2,555 million), which represented a funding ratio of 100% against technical provisions (2013 valuation: 100%). As a result of the valuation, employer contributions increased from 24% to 33.6% with effect from 1 April 2017.

The latest actuarial valuation has been updated by a qualified independent actuary to 31 March 2019 on a basis consistent with IAS 19 (R). The results of this IAS 19 (R) valuation are a total fair value of scheme assets of £3,211 million (2018: £3,140 million) and a deficit of £85 million (2018: deficit £45 million). There were outstanding employer contributions of £nil at 31 March 2019 (2018: £nil).

Combined Pension Scheme (CPS)
Since 24 November 2008, the future pensionable service of employees who were members of the CPS is met from the Combined Nuclear Pension Plan (CNPP). Pensionable service up to 24 November 2008 will be met from the CPS. The Company has no ongoing obligation to make contributions to the CPS. The CPS is a multi-employer scheme which provides defined benefits to its members. In common with other unfunded public sector schemes the CPS does not have the attributes of typical private sector pension schemes. Any surplus of contributions made in excess of benefits paid out in any year is surrendered to the Consolidated Fund and any liabilities are met from the Consolidated Fund via the annual Parliamentary vote. Her Majesty's Government does not maintain a separate fund.

The CPS is accounted for as a defined contribution scheme. The pension charge for the period represents contributions payable by the Company to the CPS, which are directly recoverable from the NDA and amounted to £nil (2018: £nil). There were outstanding employer contributions of £nil at 31 March 2019 (2018: £nil).

Notes to the financial statements
continued

16 Pension schemes (continued)

Schemes accounted for as defined benefit

The Company accounts for two sections of the Combined Nuclear Pension Plan (CNPP) as defined benefit schemes, the Combined Nuclear Pension Plan (CNPP) – Sellafield section, and the Group Pension Scheme (GPS) section of the CNPP.

The Plans are registered defined benefit final salary schemes with benefits payable on retirement based on reckonable service and pensionable final earnings. The Plans are subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Plans are operated under trust and the trustees are responsible for operating the Plans. They have a statutory responsibility to act in accordance with the Plan's Trust Deed and Rules, in the best interest of beneficiaries of the Plans and UK legislation.

Combined Nuclear Pension Plan (CNPP) – Sellafield section

Since 24 November 2008, the future pensionable service of employees who were active members of the CPS is met from the Sellafield section of the CNPP. That arrangement remains in place following the transfer of the Company to become a wholly owned subsidiary of the NDA on 1 April 2016.

The CNPP has separately administered funds and with effect from 24 November 2008 has been funded by contributions partly from employees and partly from the Company. The benefits are identical to the CPS.

The Company contributes to the CNPP at rates recommended by the CNPP's professionally qualified actuary. The employer contribution rate was 25.2% in the year ended 31 March 2019 (2018: 22%). The principal employer for the CNPP is the NDA.

The CNPP is sectionalised into various sections, and there is a specific section for the Company. These financial statements reflect the Company's share of the IAS 19 (R) assets and liabilities at 31 March 2019 and 31 March 2018 respectively.

The most recent triennial actuarial valuation of the scheme by a qualified independent actuary took place at 31 March 2016. The projected unit method was used. The results of the valuation were market value of scheme assets of £856 million (2013 valuation: £481 million), which represented a 97% level of funding (2013 valuation: 103%). As a result of the valuation, the employer contribution rate increased to 25.2% with effect from 1 April 2018 (2013 valuation: 22%). An IAS 19 (R) actuarial valuation for the Sellafield section was carried out at 31 March 2019 by a qualified independent actuary. There were outstanding employer contributions of £nil at 31 March 2019 (2018: £nil).

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

At 31 March 2019 the Company had 4,099 employees (2018: 3,914) who were active members of the defined contribution section of the CNPP. The pension charge for the period, which represents contributions payable by the Company to the CNPP, amounted to £21,636,851 (2018: £19,445,196).

Group Pension Scheme (GPS) section of the CNPP

The Group Pension Scheme (GPS) is a funded scheme. The Company and other participating employers contribute to the GPS at rates recommended by the GPS's professionally qualified actuary. The employer contribution rate was 25% in the year ended 31 March 2019 (2018: 28.7%).

On 31 March 2007, the GPS was sectionalised into various sections. Following the sectionalisation, these financial statements reflect the Company's share of the IAS 19 (R) assets and liabilities at 31 March 2019 and 31 March 2018 respectively. Of the active members within the section of the GPS relating to the Site Licence Companies (SLC section), the majority are employed by the Company. Consequently, the entire section has been reflected in these accounts.

Following the previous transfer of ownership of the Company to NMP on 24 November 2008, there was no change to the pension arrangements of those employees who are members of the GPS. That arrangement remains in place following the transfer of the Company to become a wholly owned subsidiary of the NDA on 1 April 2016. The NDA has the role of principal employer in respect of the GPS.

The GPS-SLC section was merged into the CNPP from the GPS Pension Scheme with effect from 1 April 2012, and is a separate section of the CNPP. No changes were made to pension and benefit entitlements when the GPS-SLC section was merged into the CNPP.

The most recent triennial actuarial valuation of the scheme by a qualified independent actuary took place at 31 March 2016. The projected unit method was used. The results of the valuation were market value of scheme assets of £534 million (2013 valuation: £439 million), which represented a 109% level of funding (2013 valuation: 95%). As a result of the valuation, the employer contribution rate reduced to 25% with effect from 1 April 2018 (2013 valuation: 28.7%). An IAS 19 (R) actuarial valuation for the Sellafield section was carried out at 31 March 2019 by a qualified independent actuary. There were outstanding employer contributions of £nil at 31 March 2019 (2018: £nil).

Notes to the financial statements
continued

16 Pension schemes (continued)

Risks associated with the Company's defined benefit schemes

The defined benefit schemes expose the Company to a number of risks, the most significant of which are:

- the risk that movements in the Plan liabilities are not met by corresponding movements in the Plan's assets;
- lower than expected investment returns;
- higher than expected inflation and salary increases; and
- members living longer than expected.

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

Net benefit expense, 2019

	GPS Section of the CNPP £000	CNPP £000	Total £000
Current service cost	11,670	149,197	160,867
Past service cost	599	365	964
Interest cost	17,269	49,078	66,347
Interest income on assets	(16,371)	(31,963)	(48,334)
Net benefit expense	**13,167**	**166,677**	**179,844**
Net actuarial gains/(losses) recognised in year	**13,526**	**(7,605)**	**5,921**

Net benefit expense, 2018

	GPS Section of the CNPP £000	CNPP £000	Total £000
Current service cost	13,203	155,882	169,085
Interest cost	18,356	43,072	61,428
Interest income on assets	(15,786)	(28,459)	(44,245)
Net benefit expense	**15,773**	**170,495**	**186,268**
Net actuarial gains recognised in year	**75,463**	**8,815**	**84,278**

The NDA is the principal employer of the CNPP, and the NDA is ultimately responsible for funding any pension fund deficits for the defined benefit sections of the CNPP. The level of employer contributions paid by the Company is determined by the CNPP Trustees based on the latest triennial actuarial valuations. Under the Services Agreement between the Company and NDA, the employer contributions paid by the Company are included in operating costs shown in the Income Statement and are reimbursed by the NDA.

Amounts relating to the current and past service costs and net interest on the net defined benefit liability are shown in the table above, but are not shown on the face of the Income statement. This reflects the fact that any overall pension surplus or deficit is for the benefit of, or to be funded by, the NDA, and therefore there are offsetting amounts to or from the NDA, which the Company has disaggregated.

Notes to the financial statements
continued

16 Pension schemes (continued)

Under paragraph 116 of IAS19, when it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, an entity shall disaggregate and recognise changes in the fair value of its right to reimbursement in the same way as for changes in the fair value of plan assets. The components of defined benefit cost recognised in accordance with paragraph 120 of IAS19 may be recognised net of amounts relating to changes in the carrying amount of the right to reimbursement.

The past service cost of £599,000 arising in the financial year in the GPS section of the CNPP is to take account of the impact of Guaranteed Minimum Pensions (GMP) equalisation, as estimated by the actuary. GMP equalisation is not relevant to the CNPP Sellafield section.

Changes in the defined benefit liability are summarised as follows:

(Liability)/benefit, 2019

	GPS Section of the CNPP £000	CNPP £000	Total £000
Defined benefit obligation	(707,479)	(2,118,651)	(2,826,130)
Fair value of plan assets	681,691	1,385,390	2,067,081
Liability	**(25,788)**	**(733,261)**	**(759,049)**
Liability recognised in Statement of financial position	**(25,788)**	**(733,261)**	**(759,049)**

(Liability)/benefit, 2018

	GPS Section of the CNPP £000	CNPP £000	Total £000
Defined benefit obligation	(681,509)	(1,851,795)	(2,533,304)
Fair value of plan assets	648,873	1,216,774	1,865,647
Liability	**(32,636)**	**(635,021)**	**(667,657)**
Liability recognised in Statement of financial position	**(32,636)**	**(635,021)**	**(667,657)**

Under paragraph 116 of IAS19, when it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, an entity shall recognise its right to reimbursement as a separate asset. The entity shall measure the asset at fair value. The NDA is the principal employer of the CNPP and ultimately responsible for funding any deficit. As a result, the deficits on both sections of the CNPP are recognised in full in the Company's Statement of financial position with a corresponding asset from NDA for the full value of the deficit.

In accordance with paragraphs 116 and 120 of IAS19, re-measurements of the defined benefit liabilities and assets are recognised in the Statement of comprehensive income, offset by movements in the fair value of the corresponding asset from the NDA. As a result, the Company has netted these offsetting movements in the Statement of comprehensive income.

Notes to the financial statements
continued

16 Pension schemes (continued)

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

	GPS Section of the CNPP £000	CNPP £000	Total £000
Defined benefit obligation at 31 March 2017	736,683	1,644,097	2,380,780
Interest on liabilities	18,356	43,072	61,428
Current service cost	13,203	155,882	169,085
Actuarial loss/(gain) on change in financial assumptions	13,779	(51,977)	(38,198)
Actuarial (gain) on change in demographic assumptions	(36,386)	(33,723)	(70,109)
Experience (gain)/loss on liabilities	(46,021)	91,781	45,760
Transfers (paid)	(6,685)	(1,284)	(7,969)
Benefits (paid)	(12,885)	(11,944)	(24,829)
Employee contributions	1,465	15,891	17,356
Defined benefit obligation at 31 March 2018	**681,509**	**1,851,795**	**2,533,304**
Interest on liabilities	17,269	49,078	66,347
Current service cost	11,670	149,197	160,867
Past service cost	599	365	964
Actuarial loss on change in financial assumptions	21,584	83,247	104,831
Actuarial (gain) on change in demographic assumptions	(4,286)	(12,672)	(16,958)
Experience (gain) on liabilities	(547)	(98)	(645)
Transfers (paid)	(9,440)	(3,158)	(12,598)
Benefits (paid)	(12,275)	(14,605)	(26,880)
Employee contributions	1,396	15,502	16,898
Defined benefit obligation at 31 March 2019	**707,479**	**2,118,651**	**2,826,130**

Notes to the financial statements
continued

16 Pension schemes (continued)

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

	GPS Section of the CNPP £000	CNPP £000	Total £000
Fair value of plan assets at 1 April 2017	636,592	1,103,714	1,740,306
Interest income	15,786	28,459	44,245
Employer contributions	7,765	67,042	74,807
Transfers (paid)	(6,685)	(1,284)	(7,969)
Benefits (paid)	(12,885)	(11,944)	(24,829)
Return on plan assets (excluding amounts included in interest income)	6,835	14,896	21,731
Contributions by employees	1,465	15,891	17,356
Fair value of plan assets at 31 March 2018	**648,873**	**1,216,774**	**1,865,647**
Interest income	16,371	31,963	48,334
Employer contributions	6,489	76,042	82,531
Transfers (paid)	(9,440)	(3,158)	(12,598)
Benefits (paid)	(12,275)	(14,605)	(26,880)
Return on plan assets (excluding amounts included in interest income)	30,277	62,872	93,149
Contributions by employees	1,396	15,502	16,898
Fair value of plan assets at 31 March 2019	**681,691**	**1,385,390**	**2,067,081**

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

Deloitte Total Reward and Benefits Limited is the CNPP actuary.

Notes to the financial statements
continued

16 Pension schemes (continued)

At 31 March 2019 the scheme assets were invested in diversified portfolios that consisted primarily of equity and debt securities. The fair value of the scheme assets as a percentage of total scheme assets are set out below:

	2019	2018
Group Pension Scheme Section of the CNPP		
Equities and Diversified Growth Funds	52%	60%
Bonds and Gilts	37%	28%
Properties and Other	11%	12%
Combined Nuclear Pension Plan		
Equities and Diversified Growth Funds	63%	73%
Bonds and Gilts	24%	14%
Properties and other	13%	13%

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

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

	GPS Section of the CNPP 2019 %	GPS Section of the CNPP 2018 %	CNPP 2019 %	CNPP 2018 %
Main assumptions				
Future salary increases: year 1	2.50	2.90	2.50	2.90
Future salary increases: years 1 to 2	–	2.50	–	2.50
Future salary increases: years 2 to 11	2.35	–	2.35	–
Future salary increases: years 3 to 12	–	2.30	–	2.30
Future salary increases: years 12 and thereafter	2.85	–	2.85	–
Future salary increases: years 13 and thereafter	–	2.80	–	2.80
Future pension increases in payment or deferment	3.50	3.45	3.50	3.45
Discount rate	2.45	2.55	2.45	2.55
RPI Inflation assumption	3.50	3.45	3.50	3.45
CPI Inflation assumption	2.35	2.30	2.35	2.30
Post-retirement mortality (in years)				
Current pensioners at 65 – male	21.8	21.9	21.8	21.9
Current pensioners at 65 – female	23.7	23.8	23.7	23.8
Future pensioners at 65 (now 45) – male	22.9	23.1	22.9	23.1
Future pensioners at 65 (now 45) – female	25.0	25.0	25.0	25.0

Notes to the financial statements
continued

16 Pension schemes (continued)

The UK discount rate is based on published indices for 15 year AA bonds. The assumptions for inflation and for increases in pension are based on the yield gap between long-term index-linked and long term fixed interest gilt securities. Mortality rates for both the CNPP and GPS are based on SAPS CMI 2017 projections (1% long term trend rate) (2018: SAPS CMI 2016 projections (1% long term rate)). For both sections, mortality assumptions have been adjusted to allow for expected future improvements in longevity.

The post-retirement mortality assumptions allow for expected increases to longevity. The 'current' disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with 'future' being that relating to an employee retiring in 2034.

Sensitivity Analysis

The impact on defined benefit obligations being:

	Increase £000	Decrease £000
Group Pension Scheme Section of the CNPP		
0.5% change in discount rates: 2019	(69,333)	61,551
0.5% change in discount rates: 2018	(66,788)	59,291
0.5% change in salary increase: 2019	9,197	(8,490)
0.5% change in salary increase: 2018	8,860	(8,178)

	Increase £000	Decrease £000
Combined Nuclear Pension Plan		
0.5% change in discount rates: 2019	(277,543)	243,645
0.5% change in discount rates: 2018	(242,585)	212,956
0.5% change in salary increase: 2019	99,577	(91,102)
0.5% change in salary increase: 2018	87,034	(79,627)

The most recently completed actuarial valuation of the GPS section was carried out as at 31 March 2016. Following the valuation, the Company's ordinary contribution rate decreased to 25% (2013 valuation: 28.7%) of pensionable salaries with effect from 1 April 2018. The next valuation is due to be completed as at 31 March 2019.

The most recently completed actuarial valuation of the CNPP scheme was carried out as at 31 March 2016. Following the valuation, the Company's ordinary contribution rate increased to 25.2% (2013 valuation: 22%) of pensionable salaries with effect from 1 April 2018. The next valuation is due to be completed as at 31 March 2019.

The Company will monitor funding levels on an annual basis for both sections of the CNPP.

Employer contributions in the year ended 31 March 2020 are expected to be £6,651,000 (2018/19: £6,453,000) in respect of the GPS section and £77,568,000 (2018/19: £74,368,000) in respect of the CNPP defined benefit pension plan.

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

Notes to the financial statements
continued

16 Pension schemes (continued)

History of the net surplus/(deficit) of the schemes
Amounts for the current and previous four periods are as follows:

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
GPS Section of the CNPP					
Defined benefit obligation	**(707)**	(682)	(737)	(564)	(590)
Plan assets	**682**	649	637	534	532
(Deficit)	**(25)**	(33)	(100)	(30)	(58)

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Combined Nuclear Pension Plan					
Defined benefit obligation	**(2,119)**	(1,852)	(1,644)	(1,048)	(984)
Plan assets	**1,385**	1,217	1,104	857	769
(Deficit)	**(734)**	(635)	(540)	(191)	(215)

The deficits on both sections of the CNPP are recognised in full with a corresponding asset from the NDA, as principal employer, for the full value of the deficit.

History of experience of gains and losses

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
GPS Section of the CNPP					
Experience gains/(losses) on scheme assets: Amount	**30,277**	6,835	85,508	(14,493)	57,797
Experience gains on scheme liabilities: Amount	**547**	46,021	3,139	5,368	2,772

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Combined Nuclear Pension Plan					
Experience gains/(losses) on scheme assets: Amount	**62,872**	14,896	141,151	(17,950)	75,596
Experience gains/(losses) on scheme liabilities: Amount	**98**	(91,781)	726	1,074	616

17 Ultimate Group undertaking

The Company's shareholder, NDA, is a Non Departmental Public Body sponsored by the Department for Business, Energy and Industrial Strategy (BEIS). The Company is included within the publicly available group accounts of both the NDA and BEIS. As a result, in the Directors' opinion, the Company's ultimate controlling party is Her Majesty's Government.

18 Post balance sheet events

On 2 April 2019, the Company appeared in Carlisle Crown Court in relation to an Office for Nuclear Regulation (ONR) prosecution in respect of the contamination of an employee on 5 February 2017. The Company pleaded guilty and was fined £380,000 and ordered to pay prosecution costs of £97,000.

Notes to the financial statements

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19 Impact of restatements

The following table presents the impact of changes in relation to the application of paragraphs 116 and 120 of IAS19, as described in note 16:

	2018 £m	*Impact of IAS19* £m	2018 *Restated* £m
Profit for the year	–	–	–
Other comprehensive income items that will not be reclassified to profit or loss:			
Actuarial gains recognised on the GPS section of the CNPP defined benefit pension plan	75	(75)	–
Actuarial (gains) on the GPS section of the CNPP for the benefit of the NDA	(75)	75	–
Actuarial gains recognised on the CNPP defined benefit pension plan	9	(9)	–
Actuarial (gains) on the CNPP for the benefit of the NDA	(9)	9	–
Total other comprehensive income items that will not be reclassified to profit or loss for the year, net of tax	–	–	–
Total comprehensive income for the year	–	–	–
Total comprehensive income attributable to:			
Equity holders of the Company	–	–	–

Notes to the financial statements
continued

19 Impact of restatements (continued)

The following table presents the impact of changes in relation to the finance lease de-recognition as described in note 15:

	31 March 2018 £m	*Derecognise leases* £m	31 March 2018 *Restated* £m
Assets			
Non-current assets			
NDA receivable in respect of pension liability	668	–	668
Other debtors	22	(22)	–
Total non-current assets	**690**	**(22)**	**668**
Current assets			
Trade and other receivables	431	(1)	430
Cash and cash equivalents	12	–	12
	443	**(1)**	**420**
Total assets	**1,133**	**(23)**	**1,110**
Current liabilities			
Trade and other payables	(443)	1	(442)
Non-current liabilities			
Pension liability	(668)	–	(668)
Finance lease payable	(22)	22	–
Total liabilities	**(1,133)**	**23**	**(1,110)**
Net assets	**–**	**–**	**–**
Capital and reserves			
Equity share capital	–	–	–
Retained earnings	–	–	–
Total equity	**–**	**–**	**–**

Sellafield Ltd