Sellafield Ltd

Annual report and financial statements

RESULTS FOR THE YEAR ENDED 31 MARCH 2022

2021
2022

Company information

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Directors

Mrs L I Baldry
(Chair) (resigned 2 May 2021)
Mr A J M Meggs
(Chair) (appointed 2 May 2021)
Mr M J Chown
(Chief Executive Officer)
Mr J M Seddon
(Finance Director)
Mr A D Cumming
(Shareholder Representative Director)
Mr J Baxter
(Non-Executive Director)
Dr A F J Choho
(Non-Executive Director)
Mr D G Vineall
(Shareholder Representative Director)
Mrs C L Hall
(Non-Executive Director)
Mr J P Simcock
(Non-Executive Director)
Mrs R McLean
(Non-Executive Director)
(appointed 1 Oct 2021)

Secretary

Mr A M Carr
(resigned 5 January 2022)
Miss K Smith
(appointed 5 May 2022)

Auditors

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M2 3DE

Bankers

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Strategic report

The Directors present their Strategic report for the year ended 31 March 2022.

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. Seventy-five years ago, the Company helped to create the nation's nuclear deterrent. Today, it is using its unrivalled knowledge of nuclear to create a clean and safe environment for future generations. The Company is responsible for the safe, secure and sustainable stewardship of the Sellafield site and the nuclear materials, fuel and wastes stored there, for making progress in the clean-up of redundant facilities that pose a threat to the environment, and for delivering lifetime value for money through the investment made in the nuclear site.

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 2022, all costs incurred by the Company in the performance of the Services Agreement are directly recoverable from the NDA (2021: same).

In 2021/22, the Company continued to focus on creating a safe and clean environment for future generations. This is at the forefront of the Company's strategy, and will be executed by safe, secure and sustainable site stewardship, progress at pace, and creating lifetime value for money.

The section on page 16 provides more information on the impact of the Covid-19 pandemic on activities during 2021/22 and future developments.

Review of business

During the year the Company incurred operating costs of £2,352 million (2021: £2,070 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 more than 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.

Despite the impact of the Covid-19 pandemic on the Company's operations, during 2021/22 the Company has made progress in meeting its targets and milestones set by the NDA, including high hazard reduction, nuclear operations and safe secure stewardship. Progress this year includes:

- successfully progressed work on major projects alongside supply chain partners
- made important progress in creating a clean and safe environment for future generations
- performed with passion, pride and pace and embraced the other themes in our manifesto.

Progress at pace

- Making progress towards the end of reprocessing operations in the Magnox plant.
- Processed the final batch of plutonium arising from Thorp reprocessing operations, signalling the end of Finishing line 6 operations.
- Successfully completed a test run to move 3m3 boxes of nuclear waste into The Box Encapsulation Plant Product Store Direct Import Facility.
- Continued work on construction delivery, including installation of a 750-tonne crane next to the Box Encapsulation Plant, ready for retrievals from the Magnox Swarf Storage Silo.
- In the Magnox Swarf Storage Silo, progressed installation of the second Silo Emptying Plant machine and moved the first Silo Emptying Plant machine into position to start retrievals.
- Moved the 175-tonne waste retrievals module which will be getting nuclear waste out of the Pile Fuel Cladding Silo sideways for the first time.
- Delivered the first ready-to-use Self Shielded Box to site, ready to store nuclear waste from legacy ponds in the new Interim Storage Facility.
- Started retrieving solid waste from the Redundant Settling Tank.

Safe, secure sustainable, site stewardship

- Successful repatriation of intermediate-level waste to Australia.
- Removed the Windscale Pile 1 chimney diffuser, removing the seismic risk associated with the chimney from the Sellafield site.
- Took delivery of two new hybrid trains, replacing older and less environmentally friendly engines, part of the company's plan to replace solely diesel locomotives with smaller all electric 40-tonne versions.

Strategic report
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- Issued updated Enterprise Risk Assessments in response to Government guidance and brought to a close the on-site test and trace facility, which had its last day of operations on 31 March.
- Confirmed that all the containers which hold vitrified high-level waste are now ready for return overseas as they have been filled, cleaned, weighed and checked (known as pre-attribution).

Lifetime value for money

- £1.3 million investment under the Sellafield Ltd Social Impact, Multiplied (SiX) programme towards the development and creation of the Industrial Solutions Hub entity, working with Copeland Borough Council and Programme and Project Partners.
- Launched the West Cumbria Mental Health Partnership, part of £1.8 million investment under the Sellafield Ltd Social Impact, Multiplied (SiX) programme Transforming West Cumbria programme, led by Cumbria Community Foundation.
- Opened the Engineering and Maintenance Facility at Leconfield, Cleator Moor and the first Robotics and Artificial Intelligence Collaboration hub in Whitehaven.
- Recruited 200 apprentices across 20 career pathways.
- Launched diversity and inclusion training to help all employees understand the Company's commitment to diversity and inclusion, and to understand the law in this area. Continued to grow employee networks and invested in training aligned to a range of initiatives including promotion of mental health champions.

Safety performance

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

Nuclear safety is our overriding priority at Sellafield because of the potential significant consequences from a nuclear safety event however we focus on all aspects of safety as they are interconnected.

Performance against the nuclear safety performance indicator was good over the year. On radiological and environmental safety, there was strong performance during 2021/22 in both areas and a low level of events against Company targets.

Performance against Company conventional safety targets deteriorated when compared to 2020/21. The Company's accident-related safety metrics exceeded the corporate targets which are purposefully set high to encourage everyone at Sellafield to raise the bar. Performance remained high compared with the wider sector. The majority of events are things like slips, trips and falls associated with routine work, rather than large high-risk tasks. Further detail will be shared in our annual review of performance, due for publication summer 2022.

In line with the Company's aim for all people working at Sellafield to go home safely every day, we are focused on improving our conventional and nuclear safety performance.

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).

It has a safety performance improvement process to identify gaps, analyse for (and prioritise) resolution and close the gaps. This approach aligns the behaviours inherent to a learning organisation and a healthy nuclear safety culture.

The programme comprises three work streams:

- *Corrective action programme* – risk-based approach to progressing condition reports, for the reporting, screening (sentencing), investigating and correcting of issues;
- *Trending programme* – routine trending and analysis of condition report data in order to identify underlying weaknesses and prioritise opportunities to close gaps, make improvements, and establish sustainable solutions for the business;
- *Operating experience programme* – learning from internal and external issues is shared and used to prevent or minimise similar causes occurring and avoid making similar mistakes.

Key learning opportunities are escalatedto the Sellafield Ltd Executive, to ensure significant issues impacting safety, reliability and performance across the site are addressed. This involves periodic reviews by the Nuclear Independent Oversight and Nuclear Safety team to identify enterprise issues – including significant events, adverse trends, long-standing cross-functional issues, to enable informed executive decisions on prioritised actions and improvement activities required to address key learning opportunities and focus the staff on resolving long-standing enterprise issues. As well as this, the Sellafield Board is fully informed, engaged and involved with safety performance at Sellafield Ltd.

Changing the way that we work with our supply chain

Our supply chain plays an intrinsic role in the delivery of our mission, accounting for almost two thirds of our annual spend; supporting us with the necessary capacity and capability to allow us to deliver the Operating Plan. With a network of over 900 companies engaged on Sellafield business, it is important that effective relationships are maintained with our current and future supply chain partners in order to provide sustainable value for money and improve efficiency and resilience.

Our long-term alliance frameworks are delivering great benefit in decommissioning, design and infrastructure, building upon learning from our other key supply chain partnerships and industry best practice. These principles of best practice will help guide the development of the next generation of supply chain arrangements, helping to shape the new Overarching Acquisition Strategy.

To successfully deliver our mission and execute the scope of work for the future, we will continue to be heavily reliant on having access to a sustainable supply chain with the necessary capability and capacity to deliver our planned work. It is therefore important to the site mission that we develop and maintain a viable, robust and motivated supply chain to meet our requirements.

As part of our ongoing commitment to establishing greater economic resilience continue to promote supply chain inclusivity and in particular improve and increase the opportunities for small and medium-sized enterprises (SMEs), in financial year 2021/22 the outturn was

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of circa 33% of direct and indirect spend with SMEs. The continued use of Liaise, Innovate, Network and Collaborate (LINC) to encourage SMEs at local and national level to collaborate and deliver innovative solutions to the mission at Sellafield remains a commitment within our Strategy for defined packages of work.

We continue to place greater emphasis on social value in the construct of our procurement opportunities and in our tenders, which will help drive improved social outcomes and impacts, meaning our communities can benefit from a greater return for taxpayers' money. This aligns with increased HMG focus, as reflected in Procurement Policy Note (06/20).

Sustainability

Over the last few years there's been a global change in how we think about everything we do, and society has developed a common understanding – we must look after our planet for future generations.

The single biggest contribution that the Company will make to the environment is removing the risks associated with the oldest nuclear facilities at Sellafield. Progress in delivering this task, along with details of its environmental, nuclear, radiological and conventional safety performance, and social impact work in 2021/22 is published on the Company's website in an annual review of performance.

The annual review of performance highlights the intent to take a holistic approach, looking at how work at Sellafield can be delivered in a sustainable way. It also includes the Company's ambition to be part of a sustainable local economy and a sustainable nuclear industry, including working with the supply chain and local stakeholders to help create diversification in our local economies and helping to create thriving communities are at the heart of our social impact strategy.

During 2021/22 the Company has been socialising the SiX – Social Impact Multiplied relaunch of the strategy. This has been well received and when the supply chain is referring to Sellafield Social Impact, they are calling it SiX. An update of the Oxford economics report was carried out to understand any change in the impact that Sellafield Ltd has on its local communities, this will be published in the summer. Public Procurement Notice (PPN06/20); taking account of social value in the award of central government contracts, has resulted in a greater focus in commercial to ensure social impact is included in the tender process. This is continuing to be developed with processes being put in place to embed and capture the commitments made through our supply chain.

Some of the Investments during 2021/22 included:

- Western Excellence in Learning and Leadership – £1.3 million, this is year three of a multi-year programme developed with the NDA, Cumbria County Council and made possible with the commitment of schools across West Cumbria to improve educational attainment.
- Industrial Solutions Hub (ISH) – £1.3 million towards the development and creation of the ISH entity, working with Copeland Borough Council and Programme and Project Partners (PPP) to create 'cluster building' and diversify the economy beyond nuclear. This is the beginning of a larger project.
- Barclays Eagle Lab – £0.4 million for year two of the Eagle Lab, within the first 12 months the facility has attracted 19 new and small businesses looking to grow.
- The Leading Change Sustainability Campaign Programme – circa £0.1 million funding for secondary schools in West Cumbria to take part in a sustainability challenge, an educational task to develop their own sustainability projects.
- Community projects – £0.9 million has been awarded to 24 individual third sector organisations delivering projects that help to address social needs in our local communities.
- Transforming West Cumbria Bedrock – £0.5 million to continue the bedrock programme enabling more organisations to benefit from the fund that is designed to increase the resilience and capability of the third sector.

The work the team has been doing working with partners to lead and drive social impact has been awarded recognition as highly commended in the national social value awards. The redevelopment of the bus station and introduction of the Eagle Lab has won the NDA award for best socio-economic project.

Financial performance

During the year the Company incurred operating costs of £2,352 million (2021: £2,070 million). Under the Services Agreement between the Company and NDA, the Company must 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 105% of the funds available (2021: 96%).

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 continuing to improve the way we work 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 2021/22 the operating profit before taxation, depreciation, interest and research and development tax credits was £5 million (2021: £6 million).

The result for the year, after interest and taxation, amounted to £nil (2021: £nil).

During the year the Company employed, including Executive Directors, an average of 10,843 employees (2021: 10,851) at a total cost of £787 million (2021: £788 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. During the year, there was an average 680 agency staff (31 March 2021: 533).

The Company is tackling unique challenges, in particular the safe clean up and decommissioning of the Legacy Ponds and Silos buildings. In the year the Company invested £72 million on research and development (R&D) (2021: £79 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

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infrastructure of the site. R&D costs are directly recoverable from the NDA under the Services Agreement.

In 2021/22 the operating costs of £2,352 million (2021: £2,070 million) includes external spend on donations in relation to socio-economic expenditure of £7.4 million (2021: £9.7 million), of which £7.4 million was paid in 2021/22 (2021: £9.7 million) and £nil is committed and will be paid during 2022/23 (2021: £nil). In 2021/22 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.

At 31 March 2022, the Company's Statement of financial position includes £595 million (2021: £770 million) in respect of the deficit on the Sellafield section of the Combined Nuclear Pension Plan (CNPP), which is a defined benefit pension scheme. The deficit has been calculated by the scheme actuary, who has performed an actuarial valuation at 31 March 2021 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 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 and are reimbursed by the NDA. As a result, the Statement of financial position includes an NDA debtor for the full value of the deficit.

In addition, the Statement of financial position includes Trade and other receivables (note 10) of £478 million at 31 March 2022 (2021: £388 million) which includes monies due from NDA under the terms of the Services Agreement and monies due from HM Revenue and Customs in respect of R&D tax credits. At 31 March 2022 the Company had current liabilities (note 12) of £488 million (2021: £397 million) including lease liabilities, 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.

Section 172 Statement

The Company is licensed under the Nuclear Installations Act 1965 (as amended) and is the holder of the Nuclear Site Licence for the Sellafield site (incorporating the former Windscale site) i.e., the Site Licence Company (SLC). It is the legal entity responsible for this site, which is owned by the NDA. As the SLC, the Company, through its Board, is directly accountable to the relevant Regulators for compliance with the conditions of the nuclear site licence, environmental permits for Radioactive Waste Management and with all other applicable Law and Regulatory Requirements, including compliance with the Companies Act 2006.

The Company is responsible for ensuring that the activities on its Sites are carried out in the long-term interests of the Company, its employees, the local community, and business partners, and for doing so safely, securely, sustainably and with due regard to the environment

The Board of Directors of Sellafield Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholder (having regard to the stakeholders and the matters set out in s172(1) a-f of the Act) in the decisions taken in the year ended 31 March 2022.

Our obligations

In addition to fulfilling the standard requirements of a limited company in the United Kingdom, Sellafield Limited is required to fulfil a range of obligations to several government bodies. These exist because of the Company's status as an 'arm's length' body of the UK government, requirements of the nuclear sector (domestic and international), the legacy of past missions on the Sellafield site, and the scale and scope of our current missions.

Our key obligations can be categorised as 'direct', where the Company has a formal relationship with another government body (and is held to account on specific criteria), and broader relationships, such as those where obligations are held by the NDA (as the sole shareholder), which require significant input and support from Sellafield Limited to discharge them.

'Direct' obligations

NDA: The Company is a wholly owned subsidiary of the NDA and exists, at their discretion, to realise NDA's strategic objectives for the Sellafield site. The Company is held to account by the NDA for safe and secure management of the Sellafield site, demonstrable progress, and return on investment. Consequently, we work closely with the NDA on matters pertaining to strategy and planning, major investments, commercial contracts, and performance management. We are also obliged to fulfil NDA requests for independent reporting for assurance purposes. A specification of the Company's obligations to the NDA is set out in the Services Agreement between the NDA and Sellafield Limited, and Inter-NDA Estate Contracts.

Employees: The Company employs more than 10,000 employees. Its primary obligation to those employees is to help them understand the Sellafield mission, our Enterprise Strategy, and their role in delivering that mission safely. As discussed further in the Directors' report on page 17, the Company regularly engages with our employees directly and through their union representatives. Our measures for performance in this area includes regular employee surveys.

Environment Agency (EA): The Company's primary obligation to the EA is to meet environmental regulation for Sellafield Limited, which is primarily focused on site discharges and radioactive waste disposals.

Office for Nuclear Regulation (ONR): The Company's obligations to ONR are focused on ensuring Sellafield Limited can operate as a nuclear Site License Company (as described in the ONR's License Condition Handbook). ONR has a broad remit, within the framework of the Nuclear Site Licence Conditions (NSLCs), to regulate what is required of Sellafield Limited to preserve safety and security. ONR must also ensure that the Company is compliant with the new UK safeguards regulations. In particular, ONR will check that Sellafield's material is present in the quantities, form and locations we've declared and that it is not being diverted to other uses.

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Department for Business, Energy and Industrial Strategy (BEIS): Although Sellafield Limited's relationship with BEIS is formally through the NDA, with regards to communications and public affairs events (that are likely to elicit media interest), we are required to provide input and information directly to BEIS (informing the NDA in parallel).

International Atomic Energy Association (IAEA): Certain areas of the Sellafield site are also subject to inspections from IAEA and the Company cooperates with these as required.

Planning Authorities: The Company's obligations to our local planning authorities is to bring planning applications forward in line with the requirements of planning regulations.

Local Authorities: The Company has a close working relationship with the local authorities close to our site, in particular under the Radiation Emergency Preparedness and Public Information Regulations. These relationships are a key component in ensuring our social license to operate. They also facilitate stakeholder input into our work and our understanding of community needs that help shape our social impact programme.

Health & Safety regulators: The Health and Safety at Work Act 1974 and associated regulations such as the Management of Health and Safety at Work Regulations 1999 require that we establish, implement and control an operating model, which is proportionate upon the risk and complexity of our activities. This operating model includes our purpose and mandates, the overarching frameworks we use to pursue them, and the key activities we undertake day to day.

Finally, the Company holds a number of standard certifications (e.g., ISO 9001) and works with various assurance and certification organisations to maintain these.

Broader relationships

The Company also has key relationships with a broader range of government bodies, primarily associated with governance of business management, and other stakeholders.

Her Majesty's Treasury (HMT): Sellafield Limited is funded by the state, and consequently liaises with HMT with respect to forecast spending requirements (including the liabilities related to the Sellafield site). While this activity is led by the NDA, Sellafield Limited is closely involved.

UK Government Investments (UKGI): As the NDA is responsible for discharging significant amounts of public funds to private sector organisations, it receives broad advisory support, challenge, and validation from UKGI. In particular, UKGI provides advice and challenge with respect to formal governance arrangements. Sellafield Limited provides support in any way required by UKGI to fulfil its governance mandate for arm's-length government bodies.

Independent Projects Authority (IPA): The NDA also has responsibility for the delivery of major projects at Sellafield Limited, which are subject to oversight by the IPA. The NDA is therefore required to engage in project assurance processes with the IPA and can call upon Sellafield Limited resources and expertise to support review processes and action recommendations.

World Association of Nuclear Operators (WANO): Sellafield Limited is a member of WANO, an industry body dedicated to improving the safety and reliability of nuclear operations. The Company participates in peer reviews and other programmes to enhance nuclear safety both at Sellafield Limited and in other nuclear facilities worldwide.

Local Community: Sellafield Limited has a broad range of obligations to the local community, partly stemming from our role as one of the region's largest employers. Through a series of public meetings, we routinely report on work underway at Sellafield and invite questions and dialogue from stakeholders and members of the public.

Supply Chain: Sellafield Limited spends in excess of £1 billion per annum with its suppliers and sections within the Strategic report 'Changing the way that we work with our supply chain' and 'Sustainability' discuss how the Company engages with its suppliers.

Governance

As discussed in more detail in the Corporate Governance section on page 12, the Company has corporate governance arrangements in place which are aligned with the 2018 UK Corporate Governance Code and fulfils the obligations set by our stakeholders. The structure enables direction and control of Sellafield Limited in a legally compliant, effective, and efficient manner. The key mechanisms which comprise Sellafield Limited's corporate governance are discussed on page 12.

Sellafield Board

The Sellafield Limited Board sets the strategic framework and direction for Sellafield Limited's operations, in alignment with the NDA's strategy for the Sellafield site. Amongst other obligations, it is responsible for agreeing plans by which company performance is measured, holding the executive team to account, setting corporate policies and overarching risk management and controls. The Board delegates day-to-day management of the organisation, and select authorities, to the Sellafield Limited Executive. The Board operates through several sub-committees. The Chairman of the Board is appointed by the NDA.

The Chief Executive Officer (CEO) is accountable to the Sellafield Limited Board for all aspects of operating the Sellafield site and delivers this through delegation of accountabilities to the Executive team. The Executive team is collectively accountable for managing Sellafield Limited, which includes (but is not limited to):

- Maximising value for the Enterprise in a sustainable manner by making trade-offs around resource allocation to balance near-term and longer-term delivery objectives.
- Taking and overseeing the implementation of medium to long-term strategic decisions for the business.
- Providing assurance to the Sellafield Limited Board that the business is being managed in accordance with the Board's requirements and delegations.
- Fostering a positive environmental protection, safety, and security culture across the Enterprise; and
- Creating alignment with our owner on business priorities.

There are several Executive committees which enable the Executive to carry out their activities as a collective and which form part of the Company's governance structure.

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Enterprise definition of value

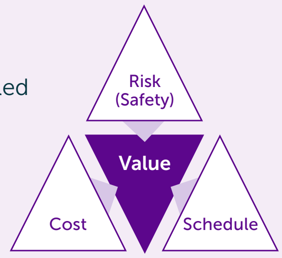
Strategic Value

Increasing return on taxpayer investment beyond immediate operational delivery.

Operational Value

Can only be added in the Value Streams, but is enabled by all departments.

Each Value Stream focuses on a different balance of Risk, Cost and Schedule.



Operational value is ...

Retrievals

Reducing high hazard and risk as soon as reasonably practicable.

Special Nuclear Materials

Retiring risk through managing special nuclear materials.

Spent Fuel Management

Reducing risk through the processing, storage and disposal of spent fuel materials and associated wastes.

Remediation

Cleaning up the Sellafield site and reducing the nuclear liability at best life-cycle cost.

Right to Operate

Fulfilling our statutory and regulatory obligations for the Enterprise to exist and operate as a Site Licence Company.

Lifetime value for money

Protecting people by maintaining safe, secure environmental stewardship and reducing high hazard/intolerable risks as quickly as possible.

Remediating the site using our expertise and public resources effectively and efficiently.

Delivering additional value in driving and sharing innovation, supporting social impact and facilitating growth.

There are three components of Value for Sellafield Ltd: 'Strategic', 'Operational', and 'Right to Operate'. All three components are essential for Sellafield Ltd.

The overall sustainability challenges for the NDA, as set out in NDA Strategy 4, are:

1. Decommissioning and remediating the UK's legacy nuclear portfolio in the most effective, efficient and sustainable way.
2. Maximising the socio-economic benefits derived from the mission to encourage economic diversity and social inclusivity.
3. Retaining public trust, coupled with the necessary infrastructure and business environment to support the next planned use of released land and wider prosperity.
4. Maintaining a suitable, sufficient and enduring decommissioning and waste management capability for the UK.
5. Climate Change and decarbonisation of both the NDA estate and its mission.
6. Maintaining the optimum strategic make-buy position, incentivising good practices in procured goods and services and a fuller engagement in the circular economy.
7. Realising sustainable, and where possible, net gain end states and biodiversity.

Given constrained resources, the Company must prioritise and justify the work it does and the way in which it does it. The diagram to the left illustrates the idea that 'lifetime value for money' is a combination of different types of value. It also provides a core concept for prioritisation or weighting of the value drivers in order to inform decision-making. These judgements are inherently at least partially subjective, and the Company needs to be able to consider all these factors in its choices and justify its choices in an open and transparent manner. Sellafield Limited cannot possibly meet all the expectations of all its stakeholders, but it must engage openly to explain its reasoning. This honesty is critical to meeting the NDA Strategy 4 commitment to deliver 'safe, sustainable and publicly acceptable solutions' and to maintaining the trust that the Company depends on.

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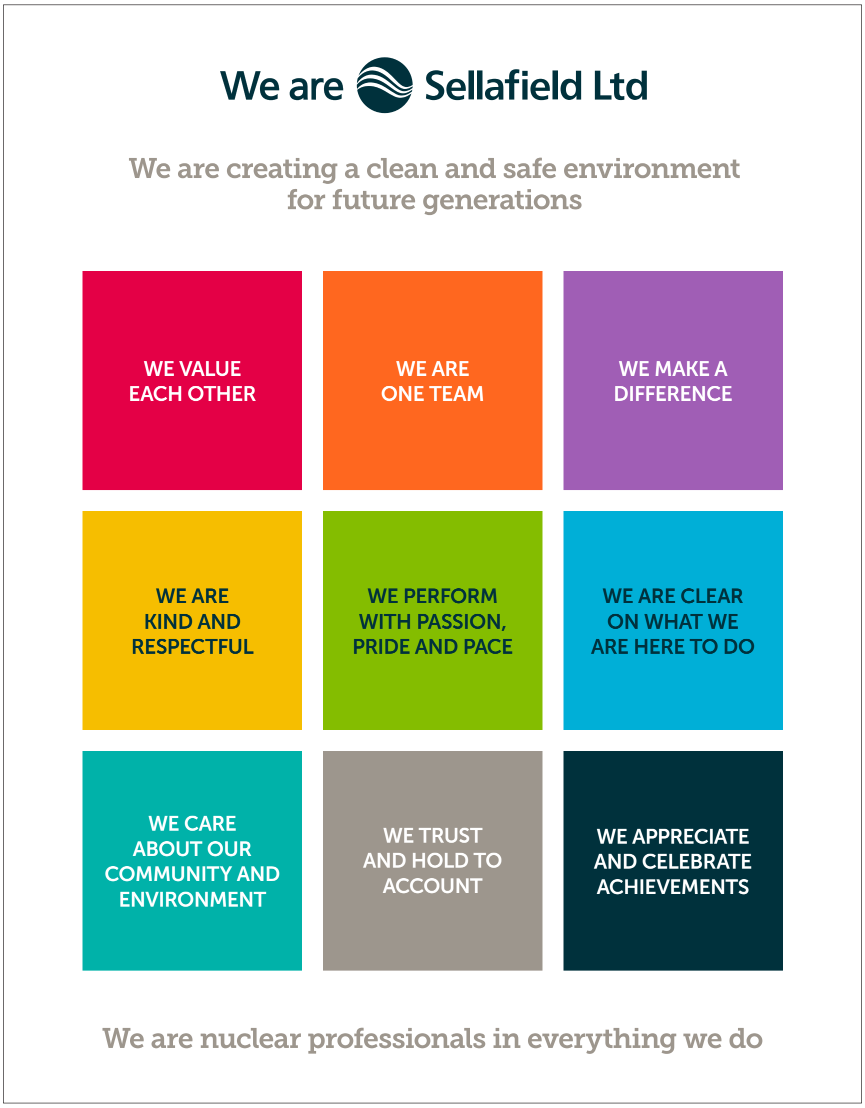
Behavioural

2021/22 fiscal year saw the manifesto gain momentum as a team of over 250 change makers have worked together to role model and spread the message of the manifesto. The year saw us introducing Strategic Partners to enable a programmatic approach to embedding our manifesto across our organisation. As we move to a purpose led organisation, we are working hard to ensure every decision we make is against our purpose of creating a clean and safe environment for future generations.

The year also saw us hold a Manifesto stand up, when throughout a 24-hour period our Executive held manifesto sessions to share their journey with the manifesto, and teams across our organisation held local meeting to look at what more they could do to truly embrace and embed the manifesto into their everyday work. We also ran a cultural enquiry where we spoke to 400 people throughout the organisation to identify how we were performing and where we needed to make improvements in role modelling and embedding our manifesto.

As well as the manifesto, Sellafield Limited has behavioural frameworks which set out the expectations for how its staff and partners should act when working on behalf of the Company. They are fully aligned with UK and international standards, including WANO and IAEA requirements.

The Company uses a range of frameworks and mechanisms to communicate and reinforce desired behaviours. These include, for example, the Code of Responsible Business Conduct, which states the minimum standards expected, and the Nuclear Professionalism and Expectations booklet which sets out behaviours expected from our staff and contractors regarding nuclear safety and are aligned to WANO's standards.



Diversity and inclusivity

The Company is committed to embracing diversity and progressing a culture of respect and inclusion. Sellafield Limited has a number of employee-led diversity networks and employee groups, which exist to support its employees and help them to perform at their best. The Company also links into NDA group-wide networks.

Each of the networks has an agreed set of terms of reference and works with the Diversity Council to ensure their work is coordinated and consistent with the Company's policies, way of working and aspirations, as outlined in our Manifesto.

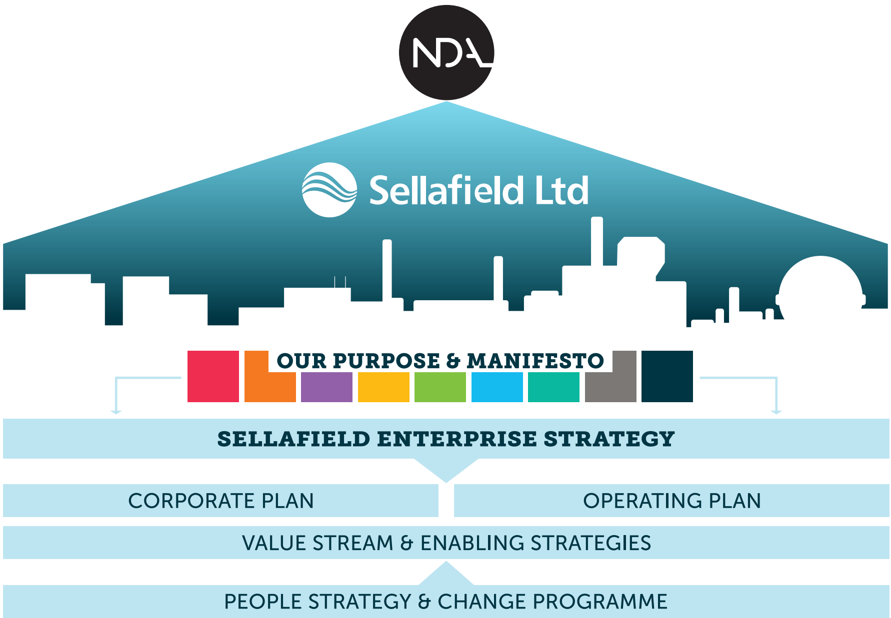
The Company's strategic approach to Diversity and Inclusion is aligned to the People Strategy and, includes annual improvement plans for Gender Balance, Race, LGBT and Mental Health; company-wide training and communications activity; development and evolution of our internal employee led networks and survey and focus group work, with the ethos of being kind and respectful central to everything we do.

Plan – *How we set direction and priorities*

Sellafield Limited develops plans and engages and aligns with the NDA on the direction the business is taking, pace of delivery of the core mission, and resource requirements. Plans are developed across the short- (i.e., 1-3 years), medium- (i.e., 10-20 years) and long- (i.e., 100+ years) term.

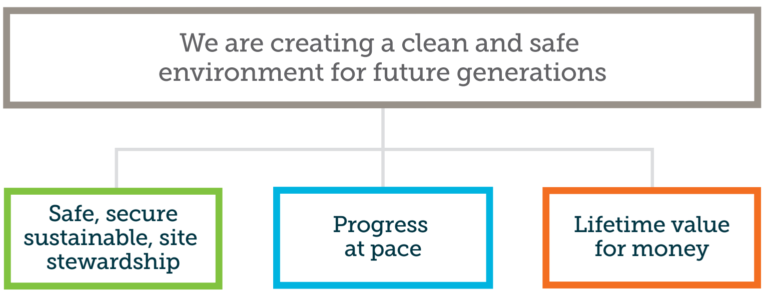
Strategic report
continued

Enterprise Strategy
The Enterprise Strategy flows from the Company's purpose of creating a clean and safe environment for future generations. Sellafield is an important part of the NDA group, working collaboratively with others in the group to deliver part of the NDA mission. Like our Manifesto, our strategy outlines the type of organisation Sellafield wants to be. The strategy details a timeline up to the 2040s, whilst clearly setting out the 2020-2025 objectives.



In particular, the Enterprise Strategy sets out 14 enterprise level objectives against three strategic focus areas:

- Safe Secure Sustainable Site Stewardship
- Progress at Pace
- Lifetime Value for Money.



For each enterprise-level objective, the Company sets out statements of intent and a timeline which focuses on goals for the next 3-5 years.

The startegy also includes principles to provide guidance to our leadership in setting delivery priorities and making choices. These principles include key elements of value; our people, sustainability, carbon reduction, technology and innovation and other topics.

The objectives and principles defined in the Enterprise Strategy describe how the Company will deliver its purpose and maximise public value.

Safe, secure, sustainable site stewardship
As one of the most hazardous nuclear sites in the world, the potential consequences of a nuclear safety or security event on the site are extremely significant, for the local area, the UK and the international nuclear industry. This is why safety, security and sustainability are at the heart of what the Company does and why it's key to its mission. Our purpose emphasises the importance of the legacy we leave for future generations. We will continue to take steps on our journey towards our purpose by dealing with hazardous materials safely and securely.

The expectations of the public are evolving quickly as we learn more about the challenges and impacts of climate change. Commitments at international, national and regional levels mean all organisations have to play their part. We will embed all aspects of sustainability (Environment, Economic, Societal) in the delivery of our purpose. We aim to be recognised for exemplary environmental leadership and be a leader in low-carbon infrastructure project delivery. All steps we take will contribute towards a more sustainable future.

Progress at pace
Over recent years we have taken some significant steps in moving from design and build, to installation and operation of our legacy ponds and silos, completing some major projects, and commencing more. As we have established these foundations for delivery across the site, the focus is to build on these at an appropriate pace with appropriate urgency. In support of our purpose, we utilise our unique capabilities to support a range of other government policies and NDA commercial obligations. Our progress at pace will particularly focus on the control and repackaging of special nuclear materials, emptying legacy ponds and silos, creating quality waste products, remediating the site towards agreed end states and leading the UK in predictable project delivery.

Lifetime value for money
We are cleaning up a legacy site and by doing so, reducing the government's long-term liabilities. In the process, we can create value by leaving a positive legacy for the environment, our workforce and its communities.
This could include improvements in biodiversity, to improved public health or sustainable local business.

Strategic report
continued

Throughout all it's essential we maintain our 'social licence to operate'. The continued existence and development of Sellafield Limited is completely dependent on our stakeholders and whether they have the confidence in us to deliver the commitments and implement our purpose. Creating lifetime value for money is about keeping that strong relationship with our stakeholders to continue operations at Sellafield Limited which we plan to do by unlocking the potential of our people, driving innovative solutions for the future, minimising liability for future generations, maximising public value and return on investment and demonstrating we are a supportive employer, neighbour and industrial partner.

Planning

We set the direction and codify how we will deliver the strategy in Corporate, Operating, and Baseline Plans. These guide our activities and enable monitoring of our performance. The Enterprise Strategy is translated into a high-level plan by our Corporate Planning team. The Corporate Plan is developed with key external stakeholder input and approved by the Sellafield Limited Executive and Board, with endorsement by the NDA where appropriate. Our Enterprise Portfolio Office uses the Enterprise Strategy and Corporate Plan to develop key targets and milestones, supported by detailed planning work carried out by the Corporate Planning and Finance departments, with input from the portfolio offices in organisational units across the Enterprise.

The Baseline Plan is a 100+ year plan setting out the total estimated costs for the Sellafield Limited mission (detailed costs for in-years; modelled for outer years). It is used for performance monitoring and informing the site licence annual site funding limit, as well as the Annual Report and Accounts, and the Site Liability Estimate. The Baseline Plan is subject to additional change controls to reflect the best estimate. The plan is developed by Sellafield Limited in conjunction with the NDA.

The Corporate Plan is a 20-year view of the business deliverables and milestones and is effectively an implementation roadmap for our Enterprise Strategy. It details the environment in which the business will operate as well as referencing the wider business context. The Corporate Plan identifies key risks,uncertainties and opportunities in the planning period. The document is reviewed and updated every five years. The Corporate Plan is developed by Sellafield Limited with input from the NDA.

The Operating Plan is a three-year view of key deliverables and costs from the baseline and in-year targets agreed between the NDA and Sellafield Limited. It sets out how funding will be allocated across different organisational units (and programmes where applicable).

Resources – *How we acquire, deploy, and manage capital, capability and assets*

Portfolio and Programme management
We design and manage Portfolios and Programmes at different levels of the organisation to maximise value.

- *Enterprise Portfolio Management* refers to the prioritisation and balancing of the Enterprise investment mix in terms of macro resource allocation and constraint management; this activity falls under the remit of the Enterprise Portfolio Office.
- *Portfolio Management* refers to Portfolio hubs within the Value Streams and other departments which are responsible for more detailed resource allocation and performance management across a collection of activities.
- *Programme Management* refers to the coordinated management of a collection of Projects directed at a specific business outcome within a department or Value Steam (e.g., AGROP).

Spatial planning
Sellafield is a heavily congested site and sits within a defined nuclear licensed footprint. The nature of our mission means that we need to build new facilities in order to empty our highest hazard legacy facilities. Our spatial planning team ensures the best use of land for these facilities and their supporting infrastructure.

Enterprise-wide prioritisation
The Enterprise Portfolio Office works with the NDA and other HMG stakeholders to agree Sellafield Limited's delivery targets and annual spending requirements. Through this process, the Enterprise Portfolio Office establishes the prioritisation and allocation of these and communicates corresponding targets to Portfolio Hubs throughout the organisation.

Within these constraints, Directorates have discretion on the allocation of funding within their Portfolios. A key exception is when proposed investments breach Delegations of Authority, in which case an investment proposal must be submitted to the Investment Review Panel (IRP – which is a cross-organisational committee chaired by the Finance Director) for sanctioning approval.

The Enterprise Portfolio Office reviews resource prioritisation on an on-going basis to ensure that it is maximising Value for the Enterprise and recommends in-year adjustments to the Executive as appropriate. This portfolio approach enables the right focus, decision making, and allocation of scarce resources where needed.

Budgeting and cash management
Finance is responsible for collating all inputs relating to budgeting, including funding limits and Enterprise resource requirements, and developing an annual budget for the Enterprise. In accordance with the constraints set by the Enterprise Portfolio Office, Finance is responsible for the mobilisation of funding across the Enterprise.

The budget is actively managed at all levels throughout the Enterprise, with Financial Controllers responsible for each key area of the business. As deemed necessary, additional Finance resources are deployed into the business to ensure effective financial governance.

Capability deployment
The specific accountability for capability development and deployment sits within a network of Enterprise Leads and Heads of Profession in partnership with their executive member. They have a formal relationship with the People function Resources to support Enterprise-wide capability planning and development for their area. In cases where, temporarily, Enterprise demand for Profession staff exceeds immediate supply, the People function will determine the appropriate allocation. The Company has implemented a Capability Planning process that has clear alignment to budget and the scope of work.

Strategic report
continued

Corporate Governance

It is the Company's stated position that it seeks to apply the underlying principles of the 2018 UK Corporate Governance Code (the Code) to the maximum extent to which it is applicable, without formally adopting the Code. The first two exceptions, detailed below, are features of the Department for Business Energy and Industrial Strategy (BEIS) operating model for the NDA and Sellafield Limited, whereby the NDA is the sole shareholder and as such determines the appointment of the Chair.

The Company follows the principles of the Code with the following exceptions:

- The Company is wholly owned by NDA, so principles and provisions related to multiple shareholders are not applicable.
- The Company does not follow all the principles in respect of Board appointments. In particular, under the Articles of Association and Services Agreement, Sellafield Limited's Non-Executive Chairman is selected by the NDA, NDA also selects Shareholder Representative Directors, and NDA must approve all appointments to (or removals from) the Sellafield Board. Also due to the long-term nature of the Company's business, Non-Executive Directors are generally appointed for 3-4 years rather than re-elected annually; and
- The Company has an Audit and Risk Assurance Committee (A&RAC) that follows the principles of the Code, but the Company does not present a report on the work of the A&RAC within its financial statements.

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. The Code adopts a principles-based approach to provide guidance on good corporate governance. It places greater emphasis on relationships between companies, shareholders and stakeholders. It also promotes the importance of establishing a corporate culture that is aligned with the company purpose, business strategy, promotes integrity and values diversity.

The Company follows the five principles of board leadership and company purpose, which are:

A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society;

B. The Board should establish the Company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture;

C. The Board should ensure that the necessary resources are in place for the Company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed;

D. In order for the Company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties; and

E. The Board should ensure that workforce policies and practices are consistent with the Company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

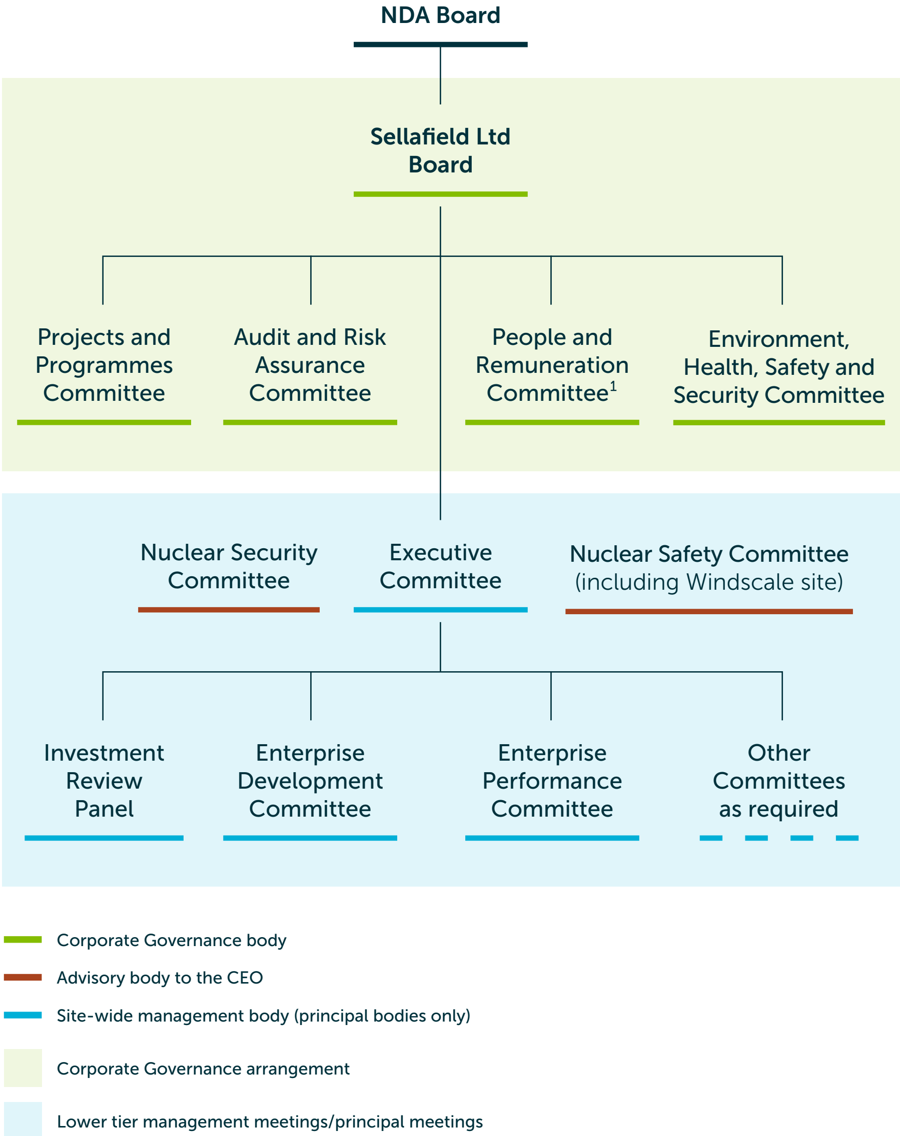
Accountability for the day-to-day management of the business is held by the Chief Executive Officer (CEO), supported by the Executive Team.

The Directors have considered the disclosures included within the Annual report and financial statements and are satisfied that the Annual report and financial statements as a whole are fair, balanced and understandable, and provide the information necessary for the shareholder to assess the Company's position, performance, business model and strategy.

Strategic report
continued

Board and Committee structure

The Corporate Governance structure for the Company is shown below.



1 A Nomination Committee will sit on an ad hoc basis as required.

As shown above, the structure comprises four formally constituted sub-committees of the Company's Board, each of which is central to assisting the Board in maintaining good governance and assurance/oversight.

Although other committees will support the work of these committees, final accountability and responsibility for the operation and management of the Company rests directly with the Board. Decisions may be taken by these committees in line with their delegated authority as set out in their terms of reference (otherwise it is their responsibility to make recommendations to the Board).

The ***Board of Directors of the Company***: The Board has the sole decision-making authority, except where the Board delegates its authority to the CEO or to Board Committees, in each case in accordance with the terms of the Corporate Governance Documents and, where appropriate, the Services Agreement. In such instances the Board remains accountable to the Shareholder for those decisions and as such requires oversight and assurance of the systems put in place to deliver day-to-day management of the organisation.

The ***Audit and Risk Assurance Committee (A&RAC)***: Its purpose is to ensure effective oversight of the Company's statutory reporting, corporate governance, risk management process and internal control. The Committee also has oversight of the Internal Audit function of the Company and the External Auditor on behalf of the Board.

The ***Environment, Health, Safety and Security Committee (EHSS)***: Its purpose is to provide the Board with assurance in respect of policy implementation, statutory and regulatory requirements, internal controls (including environmental matters such as discharges and disposals, the Internal Regulator and EHSS Assurance) and risk mitigation.

The ***Projects and Programmes Committee (P&PC)***: Its purpose is to update and inform the Board on the activities being undertaken by the Company to deliver projects and programmes to schedule and within sanction, and to advise the Board of any issues or concerns that it has regarding the performance of those projects and programmes, including but not limited to the confidence in meeting the desired outcomes.

The ***People and Remuneration Committee (P&RC)***: Its purpose is to consider, oversee, evaluate, and provide guidance to the Board on the strategy and implementation plans adopted by the Company in relation to its workforce and people. The Committee provides the means by which the voice of employees is heard by the Board and the Chair of the Committee ensures that the Board takes into account the interests of employees when making its decisions. The Committee has delegated authority, subject to the Remuneration Framework, for setting the remuneration of all Executive Directors, including pension rights and any additional payments or bonuses, and for considering the overall effectiveness of the remuneration strategy within the Company.

The Company also has Nominations Committee (NomCo) which meets on an ad hoc basis as required.

Strategic report
continued

Advisory bodies:

The ***Nuclear Safety Committee***: Whilst each Director and Executive Committee member has responsibility for nuclear safety, there is also a Nuclear Safety Committee constituted in accordance with the nuclear site licence requirements. The Committee includes the Company's Chief Nuclear Officer as well as members external to the Company. It reports directly to the CEO and through him provides advice to the Licensee ensuring that matters of nuclear safety are given the highest visibility across the business. Any advice given by the Committee but not accepted by the CEO must be reported to ONR under Nuclear Site Licence Condition 13.

The ***Nuclear Security Committee***: Whilst each Director and Executive Committee member has responsibility for nuclear security, there is also a Nuclear Security Committee. The Committee includes the Company's Chief Nuclear Officer as well as members external to the Company. It reports directly to the CEO and through him provides advice to the Licensee ensuring that matters of nuclear security are given the highest visibility across the business.

Supporting Management Committees: The Management Committees are not decision-making bodies; they are the committees called by the accountable Executive or senior manager to support them in the delivery of their personal accountability or in their duty to advise and inform the Governance Committees.

The ***Executive Committee***: The CEO is accountable to the Board for all aspects of running the business. The CEO delegates certain of these controls and responsibilities to the members of the Executive Committee. The CEO as Executive Director with delegated authority to manage the business leads the Executive Committee which is the principal management committee for the Company and, through the accountability of its members, frames the strategic recommendations to the Board, oversees the implementation and delivery of short to medium-term strategic decisions for the business and reviews corporate risk. The Executive Committee focus is on decision making which directly impacts the business direction based upon recommendation(s) that have been tested through the appropriate sub-committee(s).

The study of proposals supported by subject matter experts is conducted within the remit of supporting committees enabling the Executive Committee to consider the strategic and business impacts without having to re-evaluate the principles and options. The work of the sub-committees is guided by the Executive Committee framing the business requirements and direction.

The CEO provides assurance to the Board that the business is being managed in accordance with the Board's requirements and authorities. The Executive Committee provides a forum for Executives to give advice as a collective to the CEO in support of the CEO delivering the accountabilities to the Enterprise and its Board and Shareholder.

Executive Committee membership comprises the Executive Directors and the General Counsel and Company Secretary. Each member is authorised by the CEO to undertake activities and manage their accountabilities within their respective areas of accountability. They are individually accountable for delivery of the Corporate Plan and the safe, secure execution of the Operating Plan, including consideration of nuclear safety, security and the environment in all their activities, as well as achieving work and efficiency targets.

The ***Investment Review Panel (IRP)***: The Chair of this panel exercises the delegated authority of the CEO to oversee the financial investment decisions of the Company acting directly on behalf of the CEO. The IRP takes formal decisions regarding the merits of investment, value for money, acquisition strategy and the financial case for placing of and/or amending significant contracts, including justification for increased sanction. The IRP is also the primary body tasked with considering the procurement risks associated with an acquisition strategy or contract variation and for sole source awards and high value agreements, for onward submission to NDA/HM Government (HMG).

Where a matter is outside of the authority delegated to the panel Chair, the Chair provides advice and/or recommendations to the CEO. It reports on its business through the Executive Committee and upwards to the Board. Some significant investment decisions may, at the request of the CEO or IRP Chair, be taken by the Executive Committee itself. Where matters are being presented to NDA for approval, the Board will receive a summary of the sanction position as approved by the IRP/Executive Committee but, to the extent delegated, will not reconsider the merits or specifics of recommendations.

The IRP is supported in its work by the Enterprise Development Committee which will evaluate and determine the strategic case for investment.

The ***Enterprise Development Committee*** Chair provides advice to the CEO and Executive in support of Enterprise strategic decisions and takes such decisions where so authorised within the delegated authority. The remit of the Committee is to ensure the effective development and implementation of the Site Strategic Specification, both in the operational area ('technical') strategies and the enabling functional ('enterprise') strategies. It acts as the key conduit for strategic information between the NDA and the Company and between the Corporate Centre and the Value Streams/Functions. It supports the Enterprise Portfolio Office in developing the Corporate Plan and Decision Calendar and is the forum for senior level discussion on the development of such plans. This Committee also serves as the primary Governance Committee for the development and oversight of transformation and social impact activities and is the route for recommendations to the Board and Executive in these areas.

The ***Enterprise Performance Committee*** is the principal meeting to enable senior level oversight and assurance of, including reporting on, the performance outcomes of the business. This includes the delivery of operational performance requirements in accordance with the Operating Plan. It is the opportunity to challenge, support and create meaningful debate on site performance, holding the responsible Executive and/or Value stream leads to account for performance in their area. Attendance may include individuals from the NDA Owners Representative team by invitation, and therefore in addition it may provide a forum for NDA and the Company Executives jointly to discuss and challenge delivery outcomes.

Strategic report
continued

All other committees, whether formally appointed or not, are advisory unless either the Board or the Executive Committee elects to further delegate any of its decision-making authority.

The work of the Executive, Enterprise Development and Enterprise Performance committees is supported by the work of the Enterprise Portfolio Office (EPO). The EPO operates under Executive management with responsibility for prioritising the allocation of resources (finance, labour, facilities) to maximise benefits in alignment with the strategy. Under the overall control of the Enterprise Director the Corporate Centre maintains a suite of tools to manage the business, including strategic decision calendars.

The Company complies with the 2018 Code by means of an annual self-assessment of the Board and Board Committees (facilitated by an independent party such as Internal Audit) and a three yearly independent external review of effectiveness.

Role of the Company Board

The Board provides leadership to the Company within a framework of prudent and effective controls which enable risk to be assessed and managed. It is accountable to the Shareholder and Regulators for compliance with the conditions of the nuclear site licence, environmental permits and other applicable Law and Regulatory Requirements. Its authority is derived from the Articles of Association and the Scheme of Delegations and is subject to the conditions within the Remuneration Framework.

The Board meets at least six times each calendar year.

The Companies Act 2006

The Companies Act 2006 sets out the duties of a Director as follows:

- a duty to act in accordance with the company's constitution and only exercise powers for the purposes for which they are conferred.
- a duty to act in the way the director considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard to various matters:

  a) the likely consequences of the decision in the long term.

  b) the interests of the company's employees.

  c) the need to foster the company's business relationships with suppliers, customers and others.

  d) the impact of the company's operations on the community and the environment.

  e) the desirability of the company maintaining a reputation for high standards of business conduct; and

  f) the need to act fairly as between members of the company, although this is not relevant as the Company only has one shareholder, being NDA.
- a duty to exercise independent judgment.
- a duty to exercise reasonable care, skill and diligence.
- a duty to avoid a situation in which the director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company.
- a duty to not accept a benefit from a third party conferred by reason of the director being a director, or their doing (or not doing) anything as director; and
- a duty for the director to declare if he is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the company, and the nature and extent of that interest, to the other directors.

The role of a Director is separate and distinct from the role of an Executive or Senior Manager, even if (as is the case of certain Directors who are also members of the Executive Committee) the roles are held by the same person.

Each Executive Director's role is to put aside the interests they may have in an executive capacity and act in a way which meets the duties of a Director.

Non-Executive Directors are recognised as playing a key part in good governance in terms of independent oversight of Board decision making.

Non-Executive Directors' roles are developed to ensure that they provide the appropriate level of oversight and challenge to the decisions of the Board and they are provided with suitable and sufficient information and briefings to enable them to fulfil this role in full. In line with UK best practice, the overall effectiveness of the Board is reviewed on an annual basis or other such period as determined by the Board.

It is for these reasons that Sellafield Limited requires its Directors to undertake formal training with regards to the role of a Director, either through the Institute of Directors or other equivalent body.

Roles of the Board members

The Board membership is comprised of:

- Non-Executive Chair, selected by NDA,
- Chief Executive Officer (Executive Director),
- Up to three other Executive Directors (including the Finance Director or equivalent),
- Up to two Shareholder Representative Directors and
- Up to six independent Non-Executive Directors.

Strategic report
continued

Covid-19

The Covid-19 pandemic created a global challenge and Sellafield Limited responded quickly to maintain control whilst developing an understanding of the impact of Covid-19, transmission factors and mitigation. Strong relationships were formed with external agencies, and information from these were used to generate company and stakeholder briefings, scenarios, and inform decisions.

The Company developed a plan in the early days of the pandemic that considered what would be its Best Available Technique and as Low as Reasonably Practicable approach as a result of the new risks and constraints. The plan defined four phases to be tolerant to whatever the evolution of the pandemic. The Company has followed this plan throughout, updating the Nuclear Safety Committee, Sellafield Board and NDA colleagues and wider stakeholders regularly. In parallel, the Company undertook scenario analysis of the longer-term impact on its risks and mission delivery.

Despite the challenge of the emergence of new variants and associated waves of infection Sellafield Ltd has progressed to Phase 4 of the response plan and has put in place effective controls to live with the residual impact and manage through normal arrangements. The Omicron variant resulted in the highest absences in January 2022 at any time during the pandemic, but effective prior planning enabled us to maintain nuclear safety, retain workforce confidence, and to minimise the impact on delivery.

The new capabilities (e.g., Sellafield Ltd test and trace) put in place to mitigate the impact of Covid-19 have been demobilised but options to enable a rapid response should the external environment necessitate have been made and learning to improve resilience to future challenges captured.

Other considerations

It is very difficult to quantify the full impact from the war in Ukraine. What we can say is that it is a significant factor contributing to the volatility and uncertainty in the external environment and is a factor in the high rates of inflation we are now experiencing. Although not entirely attributable to the war (other issues include the pandemic and Brexit) we are now experiencing inflation at a rate not seen for 30 years and well in excess of the 2% assumed by Treasury for our funding settlement.

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. As discussed above, the Company seeks to apply the underlying principles of the Financial Reporting Council's 2018 UK Corporate Governance Code. 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 2.2l, 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 (2021: same). The Company does not engage in speculative treasury arrangements, and all 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 include 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 (2021: same).

As discussed above, 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

Kate Smith.

Miss K Smith
Secretary

Date: 14 July 2022
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 2022.

Directors

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

Mrs L I Baldry
(Chair) (resigned 2 May 2021)
Mr A J M Meggs
(Chair) (appointed 2 May 2021)
Mr M J Chown
(Chief Executive Officer)
Mr J M Seddon
(Finance Director)
Mr A D Cumming
(Shareholder Representative Director)
Mr J Baxter
(Non-Executive Director)
Dr A F J Choho
(Non-Executive Director)
Mr D G Vineall
(Shareholder Representative Director)
Mrs C L Hall
(Non-Executive Director)
Mr J P Simcock
(Non-Executive Director)
Mrs R McLean
(Non-Executive Director)

Secretary

Mr A M Carr
(resigned 5 January 2022)
Miss K Smith
(appointed 5 May 2022)

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the Company (2021: 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 (2021: same).

Directors' indemnities

As at the date of this report, the Company entered Deeds of Indemnity with certain of the Directors (2021: 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 99% (2021: 99%) of invoices submitted against the standard payment terms were paid on time.

Employees and employee engagement

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.

As discussed in the Strategic report within the section on Corporate Governance, the Sellafield Board has a People and Remuneration Sub-Committee (P&RC) whose purpose is to consider, oversee, evaluate and provide guidance to the Board on the strategy and implementation plans adopted by the company in relation to its workforce and people. The Committee provides the means by which the voice of employees is heard by the Board and the Chair of the Committee ensures that the Board takes into account the interests of employees when making its decisions.

The Company regularly consults with the unions (GMB, Prospect and Unite), and consults with employees directly through surveys, discussion forums, and briefs.

Customer and supplier engagement and interests

In the Strategic report the section 172 Statement discusses how the Company works with the NDA, which is its customer and shareholder, and other stakeholders. The Strategic report also discusses how the Company works with its suppliers, principally within the sections 'Changing the way that we work with our supply chain' and 'Sustainability'.

Going concern

As discussed in the Strategic report on page 16, 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 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.

Directors' report
continued

Agreed funding levels are set annually by NDA. It is anticipated that high inflation and increase in energy costs could result in the Company's spend to be higher than the agreed funding levels in the forthcoming year. As in previous years, Sellafield will work collaboratively with NDA to resolve any funding issue. All costs incurred by the Company will be reimbursed by NDA.

Having reviewed the cash flow forecasts against agreed funding levels, and working capital availability form the NDA, 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.

Streamlined energy and carbon reporting

Greenhouse gas (GHG) emissions and energy usage data for the period 1 April 2021 to 31 March 2022 is as follows:

	Current reporting year 2021/22	Comparison reporting year 2020/21
Energy consumption used to calculate emissions: kWh total (000 kWh)	1,037,000	1,183,000*
Breakdown by fuel (000 kWh)		
Electricity	137,000	139,000
Natural gas	888,000	1,036,000
Other fuels	8,000	5,000
Transport	4,000	3,000
Scope 1 (tCO_2e)		
Emissions from combustion of gas	161,000	190,000
Emissions from combustion of fuel oils	2,000	1,000
Emissions from combustion of fuel for transport	700	700
Scope 2 (tCO_2e)		
Emissions from purchased electricity	29,000	32,000
Scope 3 (tCO_2e)		
Emissions from business travel: hire or employee-owned vehicles where company is responsible for fuel	400	100
Total gross CO_2e based on above: tCO_2e total	**193,100**	**223,800**
Intensity ratio: tCO_2e/£1 million	**82**	**108**

*Restatement: Sellafield Ltd generates electricity and produces heat at its Fellside Plant (Scope 1); the gas consumed has been accounted for (in part) as kWh of electricity and heat produced and used to calculate $tCO_2(e)$ emissions per kWh. The balance of the kWh from combusting gas to generate the electricity and produce the heat has also been included.

kWh consumption for standby generation is included within the kWh for invoiced gas oil consumed (kWh gas oil is used to test standby generators) as specified within the methodology. The kWh electricity produced by the gas oil consumption is also recorded by the meters and has previously been included within the energy consumption. It is considered that this is an overstatement circa 554,000 kWh for the Comparison Reporting Year 20/21. There has been no associated overstatement of carbon emissions.

It has been determined that previously, the calculation to determine gas (kWh) combusted at Fellside to generate electricity and heat has also included metered gas oil, which is included separately in the reporting as specified within the methodology. It is considered that this is an overstatement of circa 902,000 kWh for the Comparison Reporting Year 20/21. There has been no associated overstatement of carbon emissions.

The methodology has been amended for the Current Reporting Year 21/22.

To view the Company's methodologies used for calculating streamlined energy and carbon reporting, see page 50.

Directors' report
continued

Summary of performance in the reporting period

There has been a 14% reduction in total gross CO_2e emissions associated with energy consumed by Sellafield Limited between this and the previous reporting period. A significant contributing factor continues to be the impact of Covid-19 on operations resulting in less energy use on the main Sellafield Ltd site and can also be attributed to reduced operation of the Sellafield Ltd Fellside Combined Heat and Power Plant (CHPP) over the reporting period and an increased proportion of electricity sourced from the National Grid. Although a small proportion of total emissions, an increase in fuel oil, transport and travel emissions can be observed as operational activity has increased in the year and examples of energy efficiency initiatives across the business are provided in the following narrative.

Operations on the Sellafield Ltd site rely on electricity and steam generated at the Fellside CHPP and electricity from the National Grid; an increased proportion of electricity sourced from the National Grid has resulted in reduced Scope 1 emissions, which is the main contributor to the overall reduction in carbon emissions. A revised operating regimen at Fellside CHPP that improves efficiency by reducing steam losses, has been trialled in the reporting period and will come into force operationally in the new financial year.

Electricity and steam generation, supply and consumption on the Sellafield site is by far the most significant contributor to the company's energy use and Scope 1 and 2 carbon emissions. These resources are required to maintain nuclear safety and support activity to deliver high hazard risk reduction, however there are still areas of opportunity to make efficiency savings. As such, the company is taking action to reduce carbon emissions to contribute to the wider sustainability aims of the Nuclear Decommissioning Authority (NDA) group.

Our annual targets, agreed with the NDA, are a key measure of delivery. In recognition of the importance of the environmental legacy we leave for future generations, environmental sustainability targets were included in the suite of annual performance metrics for the reporting period and represent our contribution to commitments set and cascaded directly from government, through BEIS and NDA. Several of these environmental sustainability targets supported increased energy efficiency (quantitative reduction targets for GHGs, water usage and business mileage and further qualitative targets to develop the Sellafield Ltd Carbon Management Plan) and have been achieved for the financial year.

Development of our Carbon Management Plan, which articulates our ambition and a high-level road map of how we will play our part in supporting Carbon Net Zero 2050, fully encompasses the energy efficiency of supply and demand. A significant element of this work in the financial year has been the delivery of a programme of energy audits. Recognising that the company already have a good understanding of the issues around energy efficiency, the audits have focused on building on existing knowledge to help overcome barriers to implementation. A key outcome of the energy audit is recommendations that will be used to inform successful implementation of energy efficiency opportunities. Alignment of the energy audit outcome with the broader Carbon Management Plan implementation will contribute to bring down our carbon emissions from energy use to help Sellafield reach its long-term carbon targets.

There is recognition that all areas of the company have a role to play in reducing energy usage, either by improving the efficiency of supply or helping to reduce demand, with examples across the business within the reporting period.

Improvements to the key utilities distribution systems have included work by the Utilities Pipe Integrity Team to reduce leakage and improve inspection quality of the approximately 17km of steam pipework across the Sellafield site. This has also included trialling replacement steam piping insulation this year, that if adopted following a successful pilot would increase the thermal efficiency of the system. A live operational dashboard for steam leakage supports a systematic approach to steam leakage, demonstrating real time steam losses, to identify priority areas.

Projects are supported in the design and construction of new facilities on the Sellafield site to ensure future energy consumption and carbon emissions of these major construction projects are minimised. Historically, on the Sellafield site, building services for major projects have utilised steam mains as a heat source. A new and innovative approach to heating, ventilation, and air conditioning (HVAC) system design based on Direct Exchange (DX) heat pumps will lead to a substantially reduced carbon footprint, achieving up to a 90% reduction of the heating requirement when compared to steam. The decision to reduce steam dependency of the planned Box Encapsulation Plant Product Store 2 (BEPPS2) has resulted in the incorporation of DX heat pumps rather than steam within the design, which will reduce energy use and improve the store's carbon footprint. Further measures to reduce energy consumption including heat recovery Air Handling Units (AHUs) and reduced flow rates have also been integrated into the design. The re-designed system will enable the recovery of 85% of the heat in the system, as well as reducing overall energy consumption through reduced flowrate changes. Over the operational lifetime of BEPPS2 these energy efficiency measures are estimated to provide a total emission saving in the region of 20,000 tonnes CO_2e. Learning from experience is being shared across multiple projects, including with the Lightly Shielded Store 1 (LSS1), for which relevant aspects of this design have also been implemented.

For existing facilities, an area of opportunity for energy efficiency is within the operation of key assets. Several areas of the business are carrying out investigations on mechanical and electrical performance of individual assets. This has included assessing mechanical imbalance, bearing issues, rotor, and harmonic issues, to identify opportunities to increase energy efficiency.

Other visible changes have been made to the site infrastructure in the reporting period. The carbon management hierarchy has been applied as part of an ongoing programme to actively reduce fleet vehicles, enabling the fleet to be reduced by 19 vehicles this year. Where reduction is not a viable option, there is a move towards electric vehicle use, with 31 vehicles changed over to Ultra Low Emission Vehicles to date and seven vehicle charge points installed this year on the Sellafield site. Alternative lighting options are also being actively considered. 200 streetlights on site have been converted to LED in the FY 2021/22,

Directors' report
continued

which is approximately 40% of total streetlighting. Further energy efficiency gains have been made by the replacement of all but essential Security & Resilience diesel tower lights with 52 solar alternatives.

Continued development of appropriate tools for measuring and modelling carbon are enabling the business to see the impact of sustainability measures as they are implemented both now and in future years.

Research and development (R&D) expenditure

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

Political and charitable donations

The Company has made no political contributions during the year (2021: £nil). The Company's charitable donations are discussed in the Strategic report on page 5.

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

There have been no post balance sheet events since 31 March 2022.

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.

By order of the Board

Miss K Smith
Secretary

Date: 14 July 2022
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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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 2022 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 2022 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

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our audit procedures to evaluate the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Company's ability to continue as a going concern;
- Reviewing the Directors' going concern assessment;
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusions on going concern; and
- Reviewing the appropriateness of the Directors' disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 21, 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: The Energy Act 2004, UK tax legislation, pensions legislation, employment regulation, health and safety regulation, anti-bribery, corruption and fraud and anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such UK tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

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

Tim Hudson

Date: 14 July 2022

Tim 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

Income statement
For the 12 months ended 31 March 2022

	Note	2022 £m	2021 £m
Revenue	4	**2,357**	2,076
Operating costs	5	**(2,352)**	(2,070)
Operating profit from continuing operations before depreciation and research and development (R&D) tax credits		**5**	6
Depreciation on right-of-use assets	15	**(5)**	(6)
R&D tax credits		**10**	10
NDA share of R&D tax credits		**(8)**	(8)
Operating profit from continuing operations		**2**	2
Profit on continuing activities before interest and taxation		**2**	2
Interest expense on the lease liability	15	**(1)**	(1)
NDA credit in respect of IFRS 16	15	**1**	1
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 2022 and 2021 are continuing.

The notes on pages 28-49 form part of these financial statements.

Statement of comprehensive income

For the 12 months ended 31 March 2022

	Note	2022 £m	2021 £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		–	–
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		–	–

The notes on pages 28-49 form part of these financial statements.

Statement of financial position

At 31 March 2022

	Note	31 March 2022 £m	31 March 2021 £m
Assets			
Non-current assets			
Right-of-use assets	15	**37**	33
NDA receivable in respect of lease liabilities	15	**1**	1
NDA receivable in respect of pension liability	16	**595**	770
Total non-current assets		**633**	804
Current assets			
Trade and other receivables	10	**478**	388
Cash and cash equivalents	11	**5**	4
Total current assets		**483**	392
Total assets		**1,116**	1,196
Current liabilities			
Trade and other payables	12	**(488)**	(397)
Non-current liabilities			
Lease liabilities	15	**(33)**	(29)
Pension liability	16	**(595)**	(770)
Total liabilities		**(1,116)**	(1,196)
Net assets		**–**	–
Capital and reserves			
Equity share capital	13	**–**	–
Retained earnings		**–**	–
Total equity		**–**	–

These financial statements were approved by the Board of Directors on 29 June 2022 and were signed on its behalf on 14 July 2022 by:

Jon Seddon

Finance Director

Registered Company Number: 01002607

The notes on pages 28-49 form part of these financial statements.

Statement of changes in equity

For the year ended 31 March 2022

	Share capital £m	Retained earnings £m	Total equity £m
Shareholders' funds at 1 April 2020	–	–	–
Total comprehensive income for the year	–	–	–
Changes in equity for year ended 31 March 2021	–	–	–
Shareholders' funds at 31 March 2021	**–**	**–**	**–**
Total comprehensive income for the year	–	–	–
Changes in equity for year ended 31 March 2022	–	–	–
At 31 March 2022	**–**	**–**	**–**

The notes on pages 28-49 form part of these financial statements.

Notes to the financial statements

1 Corporate information

The financial statements of the Company for the year ended 31 March 2022 were authorised for issue in accordance with a resolution of the Directors on 23 June 2022. 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. The reimbursement of costs is not limited to those contained within the agreed funding limits. Under the Services Agreement, all costs incurred by the Company are reimbursed by the NDA.

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 2022.

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

- the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which a party to the transaction is wholly owned by such a member;
- the requirements of IAS 24 *Related Party Disclosures* to disclose the costs of the Key Management Personnel of the Company;
- the requirements of IAS 8 *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 IFRS 15 *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 (£ million) 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

2.2 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. Seventy-five years ago, the Company helped to create the nation's nuclear deterrent. Today, it is using its unrivalled knowledge of nuclear to create a clean and safe environment for future generations. The Company is responsible for the safe, secure and sustainable stewardship of the Sellafield site and the nuclear materials, fuel and wastes stored there, for making progress in the clean-up of redundant facilities that pose a threat to the environment, and for delivering lifetime value for money through the investment made in the nuclear site.

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 accrual 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 considers that in respect of IFRS 15, 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.

IFRS 15 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.

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 2021/22, the Company received miscellaneous revenue (Category 2 income) of £6 million (2020/21: £7 million) 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.

Notes to the financial statements
continued

2.2 Summary of significant accounting policies (continued)

d Leased assets

Company as a lessee

For any new contracts entered into on or after 1 April 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time, in exchange for consideration'. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Company has the right to direct the use of the identified asset throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the Statement of financial position.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate as dictated by HM Treasury.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Company as a lessor

The Company's policy for lessor accounting under IFRS 16 has not substantially changed from the comparative period. As a lessor, the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and is classified as an operating lease if it does not.

Where the Company enters into a sublease arrangement and becomes the intermediate lessor, an assessment of the right of use asset rather than the underlying asset is made when determining whether a finance or operating lease exists.

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 IAS 19.

Notes to the financial statements
continued

2.2 Summary of significant accounting policies (continued)

e Post-retirement benefits (continued)

Paragraph 116 of IAS 19, 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 IAS 19 may be recognised net of amounts relating to changes in the carrying amount of the right to reimbursement.

Under IAS 19 (and IFRIC 14 'Limit on Defined Benefit Asset'), actuarial deficits are recognised on the Company's Statement of financial position with an equal and opposite NDA debtor. This recognises that as the principal employer of the CNPP, the NDA is ultimately responsible for funding any deficit.

If either section of the CNPP has an actuarial surplus this is not shown on the Company's Statement of financial position. IFRIC 14 considers the general requirements concerning the limit on a defined benefit asset, and states that if the right to a refund of a surplus depends on the occurrence or non-occurrence of one or more uncertain future events not wholly within an entity's control, the entity does not have an unconditional right and should not recognise an asset.

Under the terms of the CNPP's trust deed, the Company does not have an unconditional right to a surplus of either section, and as result any actuarial surpluses (and equal and opposite NDA creditor) are de-recognised and not included on the Company's Statement of financial position.

In accordance with paragraphs 116 and 120 of IAS 19, 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.

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.

Notes to the financial statements
continued

2.2 Summary of significant accounting policies (continued)

i Borrowing costs
Borrowing costs are recognised as an expense when incurred.

j Trade and other receivables
Other receivables principally comprise Company operating costs recoverable from NDA, which are considered to be contract assets under IFRS 15 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 IFRS 9. 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 2021/22, the Company received miscellaneous revenue (Category 2 income) of £7 million (2020/21: £7 million) 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.

k 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.

l Derivatives and commodity contracts
All treasury activities are carried out under policies approved by the Board. If required the Company uses foreign currency contracts, currency options and commodity contracts to reduce foreign exchange rate and commodity price exposure on certain assets, liabilities, and firm commitments. Derivative financial instruments are initially recognised at fair value on the date the 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 put in place commodity contracts to manage exposure to the price of energy (2021: N/A) but did not engage in any activities to manage foreign exchange rate exposure. Company policy and practice is to review all new sales and purchase agreements to ensure that they do not include embedded leases.

m 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.

n 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.

o 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.

Notes to the financial statements
continued

2.2 Summary of significant accounting policies (continued)

p 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, depreciation, interest and taxation.

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.

Pensions

During 2020/21, the directors have reconsidered the impact of IAS 19 and IFRIC 14, and in particular, whether the Company has an unconditional right to a surplus of either section of the Combined Nuclear Pension Plan (CNPP). As a result, and as discussed in note 16, the Company's Statement of financial position at 31 March 2020 has been restated to derecognise the pension fund surplus on the Group Pension Scheme (GPS) section of the CNPP at 31 March 2020 and corresponding NDA creditor. There is no impact on the Income statement for the year ended 31 March 2021.

As discussed in note 16, the IAS 19 valuation of the CNPP at 31 March 2022 shows a deficit for the Sellafield section, and a surplus for the GPS section. Under IAS 19 (and IFRIC 14 'Limit on Defined Benefit Asset'), actuarial deficits are recognised on the Company's Statement of financial position with an equal and opposite NDA debtor. This recognises that the NDA is ultimately responsible for funding any deficit.

If the GPS section of the CNPP has an actuarial surplus this is not shown on the Company's Statement of financial position. IFRIC 14 considers the general requirements concerning the limit on a defined benefit asset, and states that if the right to a refund of a surplus depends on the occurrence or non-occurrence of one or more uncertain future events not wholly within an entity's control, the entity does not have an unconditional right and should not recognise an asset.

Based on the terms of the CNPP's trust deed, management's judgement is that the Company does not have an unconditional right to a surplus of the GPS SLC section, and as result the actuarial surplus of the GPS section at 31 March 2022 (and equal and opposite NDA creditor) have been de-recognised and not included on the Company's Statement of financial position.

Leases

Determining whether a lease exists

The Company has exercised judgement when reviewing agreements to determine whether or not a lease exists. The Company has considered whether an agreement, in substance, grants the Company the right to direct the use of the asset and allows the Company to receive substantially all of the economic benefit of the asset.

Determining the lease term of contracts with renewal and termination options – the Company as lessee.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease, or any periods covered by an option to terminate the lease. When the Company has the option to extend or terminate a lease, the Company uses its judgement to determine whether or not an option would be reasonably certain to be exercised. The Company considers all facts and circumstances including their past practice.

Notes to the financial statements
continued

3 Significant accounting judgements, estimates and assumptions (continued)

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 accruals for management estimates for any known risks such as sub-contractor and supplier claims.

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 pension benefit assumptions used are given in note 16.

Estimating the incremental borrowing rate

Where the Company cannot readily determine the discount rate implicit in the lease, the incremental borrowing rate has been used to measure lease liabilities. The Company is unable to borrow outside of the exchequer and therefore the incremental borrowing rate is set by HM Treasury and cascaded via the NDA.

4 Revenue

Geographical segment analysis

In both 2022 and 2021, all revenue relates to the operation of the Services Agreement in the UK.

5 Operating profit

This is stated after charging/(crediting):

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Research and development costs	71,771	79,342
Payments in respect of:		
Land and buildings	3,006	3,189
Total payments	3,006	3,189

The above table includes payments related to agreements assessed as not containing a lease under IFRS 16. This is discussed in note 15.

Notes to the financial statements

continued

6 Auditor's remuneration

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Audit fees	107	105
	107	105

7 Remuneration of Directors

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Directors' emoluments	1,074	1,104
Aggregate amounts receivable under Long Term Incentive Plans	156	99
Post-retirement benefit costs	41	39
Total Directors' remuneration	1,271	1,242

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 2021/22 the highest paid Director was employed by the Company and their aggregate emoluments were £552,496 (2020/21 £510,334) which includes employer's pension contributions of £40,500 (2020/21: £39,600), benefits in kind of £1,411 (2020/21: £1,394) and estimated bonus payments of £196,604 (2020/21: £162,102).

In 2021/22 none of the Directors were active members of the Company's defined benefit pension plans discussed in note 16 (2020/21: nil). During 2021/22 one of the Directors was an active member of the defined contribution section of the Combined Nuclear Pension Plan discussed in note 16 (2020/21: one).

In 2021/22 one of the Directors was a deferred member of the Combined Pension Scheme (2020/21: one). 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. The payment for scheme C was made in 2021/2022 and is included in the emoluments above.

8 Employee benefits expense

The average monthly number of persons employed by the Company, including Executive Directors, during the year was made up as follows:

	Year ended 31 March 2022 Number	Year ended 31 March 2021 Number
Staff in support functions	2,342	2,322
Staff engaged in projects and site operations	8,501	8,529
	10,843	10,851

Notes to the financial statements
continued

8 Employee benefits expense (continued)

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

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Wages and salaries	**594**	615
Social security costs	**68**	68
Pension costs	**125**	105
	787	788

Pension costs disclosed above represent employer contributions paid in respect of defined benefit schemes £92 million (2021: £78 million), defined contribution schemes £29 million (2021: £26 million) and other pension costs £1 million (2021: £1 million). 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 IAS 19(R) for the two defined benefit pension schemes are £168 million (2021: £137 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 IAS 19.

Paragraph 116 of IAS 19, 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 IAS 19 may be recognised net of amounts relating to changes in the carrying amount of the right to reimbursement.

9 Income tax

The major components of income tax expense for the years ended 31 March 2022 and 2021 are:

Income statement

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Current income tax:		
UK Corporation Tax	**2**	2
Income tax expense reported in the Income statement	**2**	2

Notes to the financial statements
continued

9 Income tax (continued)

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 2022 and 2021 is as follows:

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Profit from continuing operations before taxation	**2**	2
Accounting profit multiplied by the UK rate of Corporation Tax of 19% *(2021: 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 10).

At Budget 2021, the government announced that the Corporation Tax main rate (for all profits except ring fenced profits) for the years starting 1 April 2021 and 2022 would remain at 19%, increasing to 25% in the year starting 1 April 2023. For the Company this rate change is a non-adjusting subsequent event.

10 Trade and other receivables

	2022 £m	2021 £m
Trade receivables (see note 2.2k)	**–**	–
Contract assets – recoverable from the NDA	**449**	368
R&D tax credits	**29**	20
	478	388

The contract assets above relate to Company operating costs recoverable from the NDA of £449 million (2021: £368 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 2022 (31 March 2021: £nil). All trade and other receivables are denominated in Sterling and the carrying value approximates to fair value.

11 Cash and cash equivalents

	2022 £m	2021 £m
Cash at bank and in hand	**5**	4
	5	4

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 2022 is £5 million (31 March 2021: £4 million). The Company only deposits cash surpluses with major banks of high-quality credit standing.

Notes to the financial statements
continued

11 Cash and cash equivalents (continued)

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.

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

12 Trade and other payables

Current liabilities

	2022 £m	2021 £m
Trade payables	106	58
Other taxes and social security costs	54	46
Accruals and deferred income (including employee creditors)	295	269
Corporation Tax	5	4
NDA's beneficial interest in the R&D tax credits	23	16
Lease liabilities	5	4
	488	397

Trade payables includes contract retention creditors of £13 million (2021: £25 million) which includes amounts expected to be payable after more than one year but within five years of £12 million (2021: £24 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

	2022 £m	2021 £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 (2019: 1)	–	–
1 B share of £1 (2019: 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 2022, both the Ordinary share of £1 and the B share of £1 were held by NDA. The B share was held by the Nuclear Management Partners Limited until 27 April 2020 when it was transferred to NDA..

Notes to the financial statements
continued

14 Contingent liabilities

At 31 March 2022, 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.

15 Lease arrangements

The Company accounts for leases in line with IFRS 16, where the Company is both a lessee and a lessor. The Company is unable to enter into new leases for land and buildings without the approval of the NDA, who in turn are subject to restrictions imposed by BEIS.

The Company has entered into commercial leases for land and buildings, motor vehicles, and plant and equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the Statement of financial position as both a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the assets and lease liability.

The leases for land and buildings have remaining durations of between 1 and 23 years (2021: 1 and 25 years). The leases for motor vehicles have durations up to a period of 4 years (2021: 3 years) and for plant and equipment of 1 years (2021: 1 years). Lease payments for each lease are fixed.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a termination fee. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Furthermore, the Company must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The Company has leases of equipment and vehicles with lease terms of 12 months or less and leases of office equipment of low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases as permitted by IFRS 16.

The following tables detail the right-of-use asset and lease liability as noted in the Statement of financial position:

Right-of-use assets

	Land and Buildings £000		Vehicles £000		Other £000		Total £000	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Opening Balance at 1 April	**29,902**	32,705	**599**	1,112	**1,995**	4,339	**32,496**	38,156
Additions	**5,932**	1,181	**1,013**	391	**1,912**	–	**8,857**	1,572
Depreciation	**(2,158)**	(2,650)	**(516)**	(850)	**(2,039)**	(1,995)	**(4,713)**	(5,495)
Impairment	**–**	–	**–**	–	**–**	–	**–**	–
Disposals	**–**	(1,334)	**(53)**	(54)	**–**	(349)	**(53)**	(1,737)
Closing Balance as at 31 March	**33,676**	29,902	**1,043**	599	**1,868**	1,995	**36,587**	32,496

The right of use assets are included as a separate line item to where the corresponding underlying asset would be presented.

Notes to the financial statements
continued

15 Lease arrangements (continued)

Lease Liability

	Land and Buildings £000		Vehicles £000		Other £000		Total £000	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening Balance at 1 April	30,483	33,079	570	1,120	2,029	4,382	33,082	38,581
Additions	5,931	1,105	998	370	1,912	–	8,841	1,475
Finance Charge	601	623	11	16	29	40	641	679
Payments	(2,479)	(2,990)	(518)	(882)	(1,644)	(2,044)	(4,641)	(5,916)
Disposals	–	(1,334)	(53)	(54)	–	(349)	(53)	(1,737)
Closing Balance as at 31 March	34,536	30,483	1,008	570	2,326	2,029	37,870	33,082

The lease liabilities are presented in the Statement of financial position as follows:

	31 March 2022 £000	1 April 2021 £000
Current liabilities	4,685	4,464
Non-current liabilities	33,185	28,618
Total lease liability	37,870	33,082

A small difference arises between total amounts charged to the Income statement under IFRS 16 and the sum of accrued lease payments for the year. Under the terms of the Services Agreement, the future lease payments including finance charges will be reimbursed by the NDA. Included within revenue is an amount equivalent to the accrued lease payments, consistent with prior periods prior to adoption of IFRS 16. A credit for the small difference is recognised as a finance credit, effectively recognising the reimbursable finance charges with the associated asset included as a non-current receivable from the NDA.

The undiscounted maturity analysis of lease liabilities as at 31 March 2022, with 1 April 2021 comparatives, is as follows:

	31 March 2022 £000	1 April 2021 £000
Due within one year	5,294	4,465
Due within one to five years	10,183	7,575
Due in five+years	29,078	28,049
Total	44,555	40,089

Notes to the financial statements
continued

15 Lease arrangements (continued)

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expenses relating to payments not included in the measurement of the lease liability as follows:

	2022 £000	2021 £000
Expenses relating to short-term leases	–	–
Expenses relating to leases of low-value assets	139	135
Total	**139**	135

The Company is also party to agreements assessed as not containing a lease, which are mostly classified as licences to occupy. These make up the majority of the Company's other commitments, and for 2021/22 were £3 million.

Agreements assessed as not containing a lease under IFRS 16

The Company has entered into commercial leases for certain properties which do not fall within the scope of IFRS 16. The leases for properties have remaining durations of between 1 and 44 years (2021: 1 and 24 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.

The value of these leases has grown from £8 million in 2021 to £19 million in 2022. This is due to the addition of several new properties which were either treated previously under IFRS 16 (Vertex), or are new for 2021/22 (Chapel Bank, Millom Hub).

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

	2022 £000	2021 £000
Within one year	3,092	2,983
After one year but not more than five years	10,506	864
More than five years	5,442	3,665
Total minimum lease payments	**19,040**	7,512

The Company as a lessor

The Company has sub-let certain properties 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. This now falls under the scope of IFRS 16, however there is no change in lessor accounting for the Company.

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

	2022 £000	2021 £000
Within one year	571	571
After one year but not more than five years	1,853	1,961
More than five years	3,199	3,662
Total minimum lease payments	**5,623**	6,194

Notes to the financial statements
continued

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 £203,465 (2021: £202,315).

At 31 March 2022 the Company had 8 employees (2021: 9) who were active members of the ESPS, which has approximately 1,300 active members. The most recent triennial actuarial valuation of the scheme by a qualified independent actuary took place at 31 March 2019. The projected unit method was used. The results of the valuation were market value of scheme assets of £3,224 million (2016 valuation: £2,706 million), which represented a funding ratio of 100% against technical provisions (2016 valuation: 100%). Employer contributions remained at 33.6%.

The latest actuarial valuation has been updated by a qualified independent actuary to 31 March 2020 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 £3,248 million (2019: £3,211 million) and a surplus of £393 million (2019: deficit £85 million). There were outstanding employer contributions of £nil at 31 March 2022 (2021: £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 (2021: £nil). There were outstanding employer contributions of £nil at 31 March 2022 (2021: £nil).

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.

Notes to the financial statements
continued

16 Pension schemes (continued)

Combined Nuclear Pension Plan (CNPP) – Sellafield section (continued)

The Company contributes to the CNPP at rates recommended by the CNPP's professionally qualified actuary. The employer contribution rate was 32.1% in the year ended 31 March 2022 (2021: 25.2%). 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 2022 and 31 March 2021 respectively.

The most recent triennial actuarial valuation of the scheme by a qualified independent actuary took place at 31 March 2019. The projected unit method was used. The results of the valuation were a market value of scheme assets of £1,385 million (2016 valuation: £856 million), which represented a 92% level of funding (2016 valuation: 97%). As a result of the valuation, the employer contribution rate increased to 32.1% with effect from 1 April 2021 (2016 valuation: 25.2%). An IAS 19 (R) actuarial valuation for the Sellafield section was carried out at 31 March 2021 by a qualified independent actuary. There were outstanding employer contributions of £nil at 31 March 2022 (2021: £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 2022 the Company had 4903 employees (2021: 4,424) 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 £24,991,715 (2021: £22,479,404).

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 2022 (2021: 25%).

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 2022 and 31 March 2021 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 2019. The projected unit method was used. The results of the valuation were market value of scheme assets of £682 million (2016 valuation: £534 million), which represented a 109% level of funding (2016 valuation: 109%). As a result of the valuation, the employer contribution rate will remain at 25% (2016 valuation: 25%). An IAS 19 (R) actuarial valuation for the Sellafield section was carried out at 31 March 2022 by a qualified independent actuary. There were outstanding employer contributions of £nil at 31 March 2022 (2021: £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 and the funded status and amounts recognised in the Statement of financial position for the respective plans:

Net benefit expense, 2022

	GPS Section of the CNPP £000	CNPP £000	Total £000
Current service cost	9,563	143,900	153,463
Past service cost	–	71	71
Interest cost / Interest income on assets	(885)	15,174	14,289
Net benefit expense	**8,678**	**159,145**	**167,823**
Net actuarial gains/(losses) recognised in year	**31,900**	**167,276**	**199,176**

Net benefit expense, 2021

	GPS Section of the CNPP £000	CNPP £000	Total £000
Current service cost	8,333	116,449	124,782
Past service cost	30	72	102
Interest cost / Interest income on assets	(864)	13,099	12,235
Net benefit expense	**7,499**	**129,620**	**137,119**
Net actuarial gains recognised in year	**8,649**	**(152,503)**	**(143,854)**

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.

Under paragraph 116 of IAS 19, 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 IAS 19 may be recognised net of amounts relating to changes in the carrying amount of the right to reimbursement.

Notes to the financial statements
continued

16 Pension schemes (continued)

Changes in the defined benefit liability are summarised as follows:

Benefit/(liability), 2022

	GPS Section of the CNPP £000	CNPP £000	Total £000
Defined benefit obligations	(652,382)	(2,605,858)	(3,258,240)
Fair value of plan assets	727,162	2,010,726	2,737,888
Benefit/(liability)	**74,780**	**(595,132)**	**(520,352)**
(Liability) recognised in Statement of financial position	**–**	**(595,132)**	**(595,132)**

Benefit/(liability), 2021

	GPS Section of the CNPP £000	CNPP £000	Total £000
Defined benefit obligations	(658,747)	(2,506,303)	(3,165,050)
Fair value of plan assets	705,240	1,736,142	2,441,382
Benefit/(liability)	**46,493**	**(770,161)**	**(723,668)**
(Liability) recognised in Statement of financial position (as restated)	**–**	**(770,161)**	**(770,161)**

Under paragraph 116 of IAS 19, 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, at 31 March 2022, the deficit of the Sellafield section of the CNPP is recognised in full in the Company's Statement of financial position with a corresponding asset from NDA for the full value of the net deficit.

However, if either section of the CNPP has an actuarial surplus this is not shown on the Company's Statement of financial position. IFRIC 14 considers the general requirements concerning the limit on a defined benefit asset, and states that if the right to a refund of a surplus depends on the occurrence or non-occurrence of one or more uncertain future events not wholly within an entity's control, the entity does not have an unconditional right and should not recognise an asset.

Under the terms of the CNPP's trust deed, the Company does not have an unconditional right to a surplus of either section, and as result at 31 March 2022, the surplus of the GPS section of the CNPP (and equal and opposite NDA creditor) have been de-recognised and not included on the Company's Statement of financial position.

In accordance with paragraphs 116 and 120 of IAS 19, 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 2020	**583,872**	**1,929,023**	**2,512,895**
Interest on liabilities	12,738	44,432	57,170
Current service cost	8,333	116,449	124,782
Past service cost	30	72	102
Actuarial loss on change in financial assumptions	106,942	573,435	680,377
Actuarial loss on change in demographic assumptions	2,493	16,494	18,987
Actuarial (gain) on liabilities	(11,667)	(149,196)	(160,863)
Transfers (paid)	(31,012)	(18,708)	(49,720)
Benefits (paid)	(14,191)	(20,510)	(34,701)
Employee contributions	1,209	14,812	16,021
Defined benefit obligation at 31 March 2021	**658,747**	**2,506,303**	**3,165,050**
Interest on liabilities	12,939	51,176	64,115
Current service cost	9,563	143,900	153,463
Past service cost	–	71	71
Actuarial loss on change in financial assumptions	2,260	(54,801)	(52,541)
Actuarial loss on change in demographic assumptions	(1,405)	(5,742)	(7,147)
Actuarial (gain) on liabilities	3,514	3,273	6,787
Transfers (paid)	(19,285)	(30,562)	(49,847)
Benefits (paid)	(15,050)	(21,760)	(36,810)
Employee contributions	1,099	14,000	15,099
Defined benefit obligation at 31 March 2022	**652,382**	**2,605,858**	**3,258,240**

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 31 March 2020	**623,646**	**1,368,812**	**1,992,458**
Interest income	13,602	31,333	44,935
Employer contributions	5,569	72,173	77,742
Transfers (paid)	(31,012)	(18,708)	(49,720)
Benefits (paid)	(14,191)	(20,510)	(34,701)
Return on plan assets (excluding amounts included in interest income)	106,417	288,230	394,647
Contributions by employees	1,209	14,812	16,021
Fair value of plan assets at 31 March 2021	**705,240**	**1,736,142**	**2,441,382**
Interest income	13,824	36,002	49,826
Employer contributions	5,065	166,898	171,963
Transfers (paid)	(19,285)	(30,562)	(49,847)
Benefits (paid)	(15,050)	(21,760)	(36,810)
Return on plan assets (excluding amounts included in interest income)	36,269	110,006	146,275
Contributions by employees	1,099	14,000	15,099
Fair value of plan assets at 31 March 2022	**727,162**	**2,010,726**	**2,737,888**

Notes to the financial statements
continued

16 Pension schemes (continued)

Pension contributions are determined with the advice of independent qualified actuaries on the basis of tri-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.

At the 31 March 2021 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:

	2022 %	2021 %
Group Pension Scheme Section of the CNPP		
Equities & Diversified Growth Funds	**56**	58
Bonds & Gilts	**32**	32
Properties & Other	**12**	10
Combined Nuclear Pension Plan		
Equities & Diversified Growth Funds	**61**	68
Bonds & Gilts	**23**	20
Properties and other	**16**	12

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 2022 %	GPS Section of the CNPP 2021 %	CNPP 2022 %	CNPP 2021 %
Main assumptions				
Future salary increases: year 1	**3.4**	–	**3.3**	–
Future salary increases: years 2 to 7	**3.4**	–	**3.3**	–
Future salary increases: years 2 to 8	**–**	2.65	**–**	2.65
Future salary increases: years 7+	**3.9**	–	**3.8**	–
Future salary increases: years 8+	**–**	3.15	**–**	3.15
Future pension increases in payment or deferment	**3.65**	3.00	**3.45**	3.00
Discount rate	**2.65**	2.00	**2.60**	2.00
RPI Inflation assumption	**3.65**	3.00	**3.45**	3.00
CPI Inflation assumption	**3.15**	2.40	**3.05**	2.40
Post-retirement mortality (in years)				
Current pensioners at 65 – male	**21.2**	21.2	**21.2**	21.2
Current pensioners at 65 – female	**23.6**	23.6	**23.6**	23.6
Future pensioners at 65 (now 45) – male	**22.6**	22.6	**22.6**	22.6
Future pensioners at 65 (now 45) – female	**25.1**	25.0	**25.1**	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 increase 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 2020 projections (1.25% long term trend rate) (2021: SAPS CMI 2019 projections (1.25% 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 changes 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 2035.

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: 2022	(66,543)	58,062
0.5% change in discount rates: 2021	(67,192)	58,628
0.5% change in salary increase: 2022	9,133	(9,133)
0.5% change in salary increase: 2021	9,222	(9,222)

	Increase £000	Decrease £000
Combined Nuclear Pension Plan		
0.5% change in discount rates: 2022	(377,849)	313,309
0.5% change in discount rates: 2021	(363,414)	303,263
0.5% change in salary increase: 2022	99,023	(91,205)
0.5% change in salary increase: 2021	95,240	(87,721)

The most recently completed actuarial valuation of the GPS section was carried out as at 31 March 2019. Following the valuation, the Company's ordinary contribution rate is to remain at 25% (2016 valuation: 25%) of pensionable salaries. The next valuation is due to be completed as at 31 March 2022.

The most recently completed actuarial valuation of the CNPP scheme was carried out as at 31 March 2019. Following the valuation, the Company's ordinary contribution rate increased to 32.1% (2016 valuation: 25.2%) of pensionable salaries with effect from 1 April 2021. The Company also made additional employer contributions in respect of deficit repair payments. In the 12 months ending 31 March 2022 the Company made deficit repair payments of £59.9 million. The next valuation is due to be completed as at 31 March 2022.

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

Employer contributions in the year ended 31 March 2023 are expected to be £5,263,000 (2021/22: £5,569,000) in respect of the GPS section and £90,292,000 (2021/22: £111,762,000) 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:

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
GPS Section of the CNPP					
Defined benefit obligation	**(652)**	(659)	(584)	(707)	(682)
Plan assets	**727**	705	624	682	649
Surplus/(deficit)	**75**	46	40	(25)	(33)

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Combined Nuclear Pension Plan					
Defined benefit obligation	**(2,606)**	(2,506)	(1,929)	(2,119)	(1,852)
Plan assets	**2,011**	1,736	1,369	1,385	1,217
(Deficit)	**(595)**	(770)	(560)	(734)	(635)

Any deficits of either section of the CNPP are recognised in full with a corresponding asset from the NDA, as principal employer, for the full value of the deficit. However, surpluses are not recognised in the Statement of financial position because the Company does not have an unconditional right to surpluses.

History of experience of gains and losses

	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
GPS Section of the CNPP					
Experience (losses)/gains on scheme assets: Amount	**36,269**	106,417	(39,520)	30,277	6,835
Experience gains on scheme liabilities: Amount	**(3,514)**	11,667	–	547	46,021

	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
Combined Nuclear Pension Plan					
Experience (losses)/gains on scheme assets: Amount	**110,006**	288,230	(116,076)	62,872	14,896
Experience gains/(losses) on scheme liabilities: Amount	**(3,273)**	149,196	–	98	(91,781)

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

There have been no post balance sheet events since 31 March 2022.

19 Gas contract

At year end the Company had commitments totalling £58 million under energy supply contracts which were entered into to provide price hedging for a significant proportion of the forecast energy consumption for 12 months of the financial year to 31 March 2023.

Appendix

Methodologies used in the calculation of GHG emissions and energy usage data

Scope 1

Total energy consumption (kWh) and emissions (tCO_2e) for Scope 1 relating to electricity, gas and heat. Including balance of combustible gas for SECR:

The Sellafield site includes Fellside Combined Heat and Power Plants, including boilers which provide process steam and electricity to Sellafield and exports electricity to the National Grid.

- Gas (kWh), Fellside (combusted to generate electricity and heat)

  Metered (Fiscal) by National Grid (supplier). Part of UKETS process. The kWh of gas utilised at Fellside has not been added to the Total energy consumption (kWh) for Scope 1 or the Overall Total Energy Consumption as this is included within the kWh for Scope 1 Electricity and Heat. To include would be double counting.

- Gas (KWh), Fellside (combusted to generate electricity and heat)

  Balance of combustible gas.

- Gas (KWh) consumed in offsite properties

  Where Sellafield Ltd pays directly for gas use – use is metered (fiscal) by supplier and recorded on utility bills. Where Sellafield Ltd does not pay for the gas directly, the quantity has been calculated from meter readings supplied by the building management company or estimated based on service charges or floor area adjusted for building occupancy multiplied by BEIS Conversion Factors.

  tCO_2e is calculated using the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – Fuels (2021).

- Electricity (kWh) (Site Demand + Parasitic Supply to Fellside (generated by Fellside)

  Site demand metered (fiscal) by Sellafield Ltd, usage logged by Sellafield Ltd. Parasitic supply metered locally. Emissions are calculated under Sellafield Ltd's Greenhouse Emissions Trading Permit (UKETS). CO_2 emissions are calculated based on gas flow to Fellside and an Emissions Factor (derived from Gas Chemistry). The split of emissions between heat and electricity has been done by using the CHPQA Methodology for the overall installation, and fuel use apportioned between the boilers and gas turbines (CHP). Further, for the Gas Turbines (CHP) CO_2 has been assigned between heat and electricity using the equation in the SECR Guidance, Appendix D.

- Nitrous Oxide (from combustion) (kgs)

  Additional tCO_2e figures are included for the burning of natural gas and gas oil at Fellside. Emissions are calculated using emission factors for nitrous oxide, from the National Atmospheric Emissions Inventory. For natural gas this is per Mth of fuel consumed, and for gas oil per Mt of fuel consumed. The resultant mass of nitrous oxide has then been multiplied by the CO_2e emissions factor for nitrous oxide, from the Greenhouse Gas Reporting: conversion factors. (Figures include the quantity of nitrous oxide for exported electricity also.) These figures are not included in Total Energy Consumption as this would be double counting, as kWh reflected in emissions for electricity and heat produced at Fellside.

- Methane (unburnt/vented) (kgs)

  Additional tCO2e figures are included for the burning of natural gas at Fellside. Emissions are calculated using emission factors for methane, from the National Atmospheric Emissions Inventory for gas turbines and for boilers. The resultant mass of methane has then been multiplied by the CO_2e emissions factor for methane, from the Greenhouse Gas Reporting: conversion factors. (Figures include the quantity of methane for exported electricity also.) These figures are not included in Total Energy Consumption as this would be double counting, as kWh reflected in emissions for electricity and heat produced at Fellside.

- Electricity (Exported) (kWh)

  Exported electricity measured by fiscal meter. Emissions are calculated under Sellafield Ltd's Greenhouse Emissions Trading Permit (UKETS). CO_2 emissions are calculated based on gas flow to Fellside and an Emissions Factor (derived from Gas Chemistry).

- Heat (Steam) (kWh)

  Low pressure and high-pressure steam measured by local metering. Emissions are calculated under Sellafield Ltd's Greenhouse Emissions Trading Permit (UKETS). CO_2 emissions are calculated based on gas flow to Fellside and an Emissions factor (derived from Gas Chemistry). The split of emissions between heat and electricity has been done by using the CHPQA Methodology for the overall installation, and fuel use apportioned between the boilers and gas turbines (CHP).

- Electricity (Standby Generation) (kWh)

  Standby generation is tested periodically, electricity generated from the consumption of gas oil is measured by local meters. The gas oil used is included in 'Other Energy Sources' Gas Oil Invoiced (Utilities). No kWh or CO_2 figures are given here as this would result in double counting.

Total consumption (l and kWh) and emissions (tCO_2e) for transport (fuel):

- Petrol Filling Station – transport

  Fuel keys are used to account for fuel use between transport and other uses. The litres of fuel used are multiplied by the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – Fuels (2021).

- Diesel Filling Station – transport

  Fuel keys are used to account for fuel use between transport and other uses. The litres of fuel used are multiplied by the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – Fuels (2021).

- Gas Oil Filling Station – transport

  Fuel keys are used to account for fuel use between transport and other uses. The litres of fuel used are multiplied by the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – Fuels (2021).

- Gas Oil invoiced (SEP and WAMAC e.g. forklifts)

  Gas oil is purchased for works vehicles used in operations, invoiced fuel is summated in litres and multiplied by the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – Fuels (2021). It is assumed that all fuel purchased in FY21/22 is utilised in the same period.

- Site Railways Diesel (operated by Sellafield Ltd)

  Sellafield Ltd operates trains internal to the Sellafield Ltd site. The litres of fuel used are multiplied by the relevant

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emission factor given in the UK Government GHG Conversion Factors for Company Reporting – Fuels (2021).

- Diesel Dive boat

  Metered fuel use is logged and multiplied by the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – Fuels (2021).

Total consumption (litres, kgs and kWh) and emissions (tCO_2e) from other energy sources:

- Gas Oil (l) (Filling Station – Others)

  Fuel keys are used to account for fuel use between transport and other uses. The litres of fuel used are multiplied by the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – Fuels (2021).

- Diesel (l) (Filling Station – Others)

  Fuel keys are used to account for fuel use between transport and other uses. The litres of fuel used are multiplied by the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – Fuels (2021).

- Petrol (l) (Filling Station Generators & Misc)

  Fuel keys are used to account for fuel use between transport and other uses. The litres of fuel used are multiplied by the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – Fuels (2021).

- Propane (kgs)

  Kilogrammes used are converted into CO_2 using constants from the Digest of UK Energy Statistics (DUKES) and Carbon Emissions Factors and Calorific Values as used in the Greenhouse Gas National Inventory Report published in 2021. Part of UKETS Conservative Estimate.

- Butane (l)

  Litres used are converted into CO_2 using constants from the Digest of UK Energy Statistics (DUKES) and Carbon Emissions Factors and Calorific Values as used in the Greenhouse Gas National Inventory Report published in 2021. Part of UKETS Conservative Estimate.

- Gas Oil (Fellside)(l)

  Gas oil use is metered by local meters, and the litres of fuel are converted into CO_2 using constants from the Digest of UK Energy Statistics (DUKES) and Carbon Emissions Factors and Calorific Values as used in the Greenhouse Gas National Inventory Report published in 2021. Part of UKETS process.

- Gas Oil Handpump CHP (l)

  Gas oil use is metered by local meters, and the litres of fuel are converted into CO_2 using constants from the Digest of UK Energy Statistics (DUKES) and Carbon Emissions Factors and Calorific Values as used in the Greenhouse Gas National Inventory Report published in 2021. Part of UKETS process.

- Gas Oil invoiced (l) (Utilities)

  Gas oil is purchased for emergency standby generation (and other uses), invoiced fuel is summated in litres and converted into tCO_2e by multiplying by the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – Fuels (2021). End of FY tank dips confirm quantity used Vs that purchased.

- Gas Oil invoiced (l) (Others, non transport)

  Gas oil is purchased for operations, invoiced fuel is summated in litres and multiplied by the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – Fuels (2021). It is assumed that all fuel purchased in FY21/22 is utilised in the same period.

Scope 2

Total consumption (kWh) and emissions (tCO_2e) from Scope 2 electricity:

- Emissions from imported electricity (kWh)

  When site consumption exceeds generation at Fellside, the balance of supply comes from the grid (as part of a balance and settlement agreement). The quantity is measured by fiscal meter. tCO_2e is calculated using the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – UK electricity (2021).

- Emissions from purchased electricity (kWh)

  Where Sellafield Ltd pays directly for electricity use – use is metered (fiscal) by supplier, utility bills. Where Sellafield Ltd does not pay for the electricity directly, the quantity has either been calculated from meter readings supplied by the building management company or based on the associated service charge, or floor area as part of the lease, multiplied by BEIS Conversion Factors. Where there are no dedicated meters for the tenant – kWh have been apportioned based on building occupancy.

  tCO_2e is calculated using the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – UK electricity (2021).

Scope 3

Total emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel (l). Scope 3:

- Rental Cars (l)

  Derived from contractor hire car data reports – where mileage driven per vehicle journey is converted to km. This is then multiplied by the CO_2e rate for the vehicle used which gives CO_2e for each journey – which can then be summed to give total tCO_2e over the FY. CO_2e is calculated using the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – Business travel land (2021). To convert to kWh – total kilometres have been divided by two (assuming half the mileage is from petrol and half from diesel) and multiplied by the average litres/km for petrol and diesel, to derive litres; these have then been multiplied by the average GCV for petrol and diesel; and then converted into kWh. Rental Cars (km) equal 792,211 km.

- Personal Mileage (l)

  Derived from mileage claims based on cost claimed, converted into kilometres. CO_2e is calculated using the relevant emission factor given in the UK Government GHG Conversion Factors for Company Reporting – Business Travel Land – Unknown Vehicle (2021). To convert to kWh – Total kilometres have been divided by two (assuming half the mileage is from petrol and half from diesel) and multiplied by average litres/km for petrol and diesel, to derive litres; these have then been multiplied by the average GCV for petrol and diesel; and then converted into kWh. Personal mileage (km) equal 751,885km.

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continued

- Fuel Cards (Petrol and Diesel) (l)

  Fuel use for some Company Cars is accounted for through fuel cards. These are the recorded litres used but do not specify the fuel type. Litres of fuel have been estimated by using the average cost of unleaded, super unleaded and diesel fuels using the BEIS Table 4.1.1 Typical retail prices of petroleum products and crude oil price index (1). The resultant litres have then been multiplied by the average of the emission factors for petrol and diesel, from the UK Government GHG Conversion Factors for Company Reporting – Fuels (2021). Further business mileage is taken to be 50% of the fuel purchased on the fuel cards. (Estimate- non material re overall emissions.) kWh calculated using average l/km for diesel and petrol cars and factors from UK Government GHG Conversion Factors for Company Reporting – SECR kWh passenger and delivery vehicles worksheet.

Intensity Ratio

- Intensity Ratio ($tCO_2(e)$/£1 million

  Represents total gross emissions in the year as a ratio against revenue as per the Income statement.