



Magnox
Electric Group
Trustees
Electricity Supply Pension Scheme

Pensions Annual Report

2011/12





Cover image: Maentwrog cashes in on record rainfall. As the rest of the country is cursing the wettest summer in history, Andy McAteer and the team at Maentwrog Hydroelectric Power Station are making the most of the extraordinary weather by generating lots of carbon-free electricity.

ELECTRICITY SUPPLY PENSION SCHEME

**MAGNOX ELECTRIC GROUP REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

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MESSAGE FROM THE CHAIRMAN OF GROUP TRUSTEES

Introduction

I am pleased to present the Trustee's Annual Report and Accounts for the year ended 31st March 2012.

During the year there were significant changes to the Trustee Board: Michael Cogbill retired and Sara Johnston and Philip Parker resigned. They were replaced as Company Appointed Directors by Peter Roach, Alan Brandwood and Don Nightingale.

There was also an election for trustees at the of December 2011: Dyfrig Jones and Tony Harris both decided to stand down and John Jones, from Wylfa Power Station and Fergus Hall, retired Head of Pensions were both elected.

I would like to take this opportunity to thank the retiring trustees for their considerable contribution to the Management of the Group and look forward to continuing the good work of the Trustee Board with the new Trustee Directors.

I would also like to thank all of the trustees, our advisers and the pensions department for their support during the year.

Tony Cooper
Chairman

REPORT OF THE GROUP TRUSTEES

Introduction

This Group Annual Report & Financial Statements is produced by the Group Trustees for the members of the Magnox Electric Group of the Electricity Supply Pension Scheme (the Scheme). The Scheme is an industry-wide pension scheme in which the Participating Employers are companies formed upon the privatisation of the electricity industry in 1990 or their successors. The Scheme has separate actuarially independent sections (known as “Groups”) in respect of each of the companies participating in the Scheme as Principal Employers. Information relating to the Scheme as a whole can be found in the Scheme Annual Report & Financial Statements.

The Scheme is established under irrevocable trusts and its provisions are set out in the Clauses and Rules contained in the Scheme document. Membership has been closed to new employees since 31 August 2007 for whom alternative arrangements have been put in place. The Scheme is a registered pension scheme under the Finance Act 2004 and is primarily contracted out of the State Second Pension.

The Principal Employer is Magnox Limited and in the case of the Magnox Electric Group, only Defined Benefits Arrangements apply.

The Group Financial Statements on pages 72 to 97 have been prepared and audited so as to comply with Regulations made under Sections 41(1) and (6) of the Pensions Act 1995.

Trustee Structure

The Group is administered by a body of trustees known as Group Trustees. The Group Trustee structure of the Magnox Electric Group provides for a total of eleven Group Trustees, five appointed by Magnox Limited and six elected by members.

There is also a central Scheme Trustee, Electricity Pensions Trustee Limited (EPTL). EPTL is a trust corporation with a Board of Directors.

The Scheme has 23 separate actuarially independent sections (known as ‘Groups’) in respect of the companies participating in the Scheme as Principal Employers, and each Group has its own assets to fund the benefits of its members.

Incorporation of Group Trustees

The Group Trustees’ duties and responsibilities are carried out by a trust company, limited by guarantee, called Magnox Electric Group Pension Trustee Co Ltd.

The Directors of Magnox Electric Group Pension Trustee Co Ltd have the same functions as individual Group Trustees. The rules for their appointment, election and tenure of office are

exactly the same as individual Group Trustees, as are their responsibilities under the provisions of the Scheme and pensions legislation.

For simplicity the term 'Group Trustees' has been used in this Report as shorthand for the more accurate term 'Directors of Magnox Electric Group Pension Trustee Co Ltd'.

Appointments are generally for a four year period, but elections are usually held every two years with half of the elected Directors included at each election. Any retiring Trustee Director may stand for re-election, if they remain eligible.

Group Trustees

APPOINTED TRUSTEE DIRECTORS

Tony Cooper Non Executive Director Nuclear Decommissioning Authority Chairman of the Group Trustee	Philip Parker HR Director Projects Deputy Chairman of the Group Trustee Until 31 March 2012
Alan Brandwood Executive Vice President of Assurance & HR- EnergySolutions From 21 November 2011	Andrew Clare Chairman of the Investment Sub- committee From 1 October 2011
Peter Roach Deputy Strategic Programmes Director – EnergySolutions From 21 November 2011	

Michael Cogbill retired 31 March 2011

Sara Johnston retired 30 September 2011

ELECTED TRUSTEE DIRECTORS

Jim Boyd (Current employee) Dungeness	Fergus Hall – from 1 January 2012 (Retired employee- in receipt of pension from the Scheme)
Brian Hibdige (Retired employee- in receipt of pension from the Scheme) Deputy Chairman of the Investment Sub-committee	John Jones – from 1 January 2012 (Current employee) Wylfa

David Openshaw (Retired employee- in receipt of pension from the Scheme)	Lee Ward (Current employee) Babcock Nuclear Ltd
Tony Harris – until 31 December 2011 (Retired employee- in receipt of pension from the Scheme)	Dyfrig Jones – until 31 December 2011 (Current employee) Wylfa

Group Administrator

The Trustee Directors are assisted in the management of the Group by the Group Administrator, Rachel Hewlett.

Appointment and Removal of Group Trustees

We are obliged to give details in this report of how Group Trustees are appointed and removed from office. Details of the methods of appointment are given above.

The five Appointed Group Trustees are appointed by, and can be removed by, Magnox Limited.

The six Elected Group Trustees are elected by contributing members and by pensioner members of the Group. In addition to changes that take place at an election, an Elected Group Trustee ceases to be a Trustee if he/she resigns, ceases to be a contributing member or pensioner of the Group, or is removed from office by a majority of the other Elected Trustees. A casual vacancy for an Elected Trustee can be filled by a person nominated by the remaining Elected Trustees.

Elected Group Trustees normally serve for a term of four years with three Elected Group Trustees being elected every two years.

The next elections are due to be held in December 2013.

Group Constituencies

The Group does not use constituencies (i.e. sections, divisions or classes of member within the Group) in electing Trustees; any candidate standing for election is eligible to receive a vote from any member.

Once having taken up office all Trustees - both Elected and Appointed - act on behalf of and are accountable to all members of the Group.

Meetings of the Group Trustees during the Year

During the year the Group Trustees met four times.

Trustee Committees

In addition to the meetings of the Group Trustees, certain matters were subject to detailed consideration in Trustee Committees. During the year there was one Trustee Committee, the Investment Sub-committee, which met four times during the year.

Business of Meetings of Group Trustees

At their meetings the Group Trustees dealt with matters relating to members' benefits and the investment of the Group Assets. They also received periodic reports and presentations from their committees and investment adviser.

Communication with members was maintained by means of Pensions Update newsletters, the Group Annual Meeting held at Berkeley and a series of road shows held at various sites.

Voting at Meetings of Group Trustees

In the event of an issue being put to a vote at a meeting, each Appointed Trustee, with the exception of the Chairman, has two votes and each Elected Trustee has one vote.

In the event of an equality of votes the Chairman has the discretion to exercise his only vote, which is a casting vote, to resolve the issue concerned. In the year under review there were no occasions on which the Chairman used this casting vote.

Trustees' Responsibilities in respect of Financial Statements

The Group Financial Statements are the responsibility of the Group Trustees. Pension scheme regulations and the Rules of the Scheme require the Group Trustees to make available to their Group members, beneficiaries and certain other parties, audited Financial Statements for each Scheme year which:

- show a true and fair view, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), of the financial transactions of the Group during the Scheme year and of the amount and disposition at the end of the Scheme year of the Group's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the Financial Statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

The Group Trustees are responsible for supervising the preparation of the Group Financial Statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Group Trustees are also responsible for making available certain other information about the Group in the form of an Annual Report.

The Group Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions (other than voluntary contributions) payable towards the Group by or on behalf of the Employer and the active members of the Group and the dates on or before which such contributions are to be paid. The Group Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Group and for monitoring whether contributions are made to the Group by the Employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Group Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

The Group Trustees and the Scheme Trustee, EPTL, also have general responsibilities for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Additional Trustees' Responsibilities

The structure of the Scheme means that certain matters are dealt with by Group Trustees and certain matters are dealt with by the Scheme Trustee. The main additional responsibilities of the Group Trustees are:

- to determine an investment strategy for Group assets;
- to ensure appropriate management of the Group assets;
- to arrange for regular actuarial valuations of the Group to be carried out in accordance with the funding principles agreed with the Employers;
- to prepare and agree with the Employers a Statement of Funding Principles which includes the actuarial assumptions used to assess the Group's liabilities;
- to agree a recovery plan with the Employers for making good any shortfall in assets against liabilities identified in periodic actuarial valuations; and
- to make available to members annual funding updates on the financial position of the Group.

In carrying out their work the Group Trustees must always act impartially and in the best interests of all the members of the Magnox Group.

To assist them in their work the Group Trustees have appointed a team of professional advisers whose advice should be taken into account when necessary. The advisers include lawyers, actuaries, investment consultants and investment managers. Their names are set out on page 10.

The main responsibilities of EPTL are:

- to ensure the safe custody and administrative control of assets;
- to produce the Scheme Report & Financial Statements on an annual basis;
- to ensure proper investment management of Group assets invested in the Unitised Fund;
- to select and put in place a range of AVC investment funds for Group Trustees to use as appropriate; and
- to ensure proper investment management of the investment funds originally established by EPTL for Defined Contributions members.

Advisers

Group Actuary
Chris Vaughan-Williams
of Aon Hewitt Limited

Carries out valuations and other funding updates of the Group as required by the Scheme Rules and Statute, provides all tables and factors for the application of Scheme Rules and options, and advises on all matters relating to pension funding.

Independent Group Auditor
Pricewaterhouse Coopers LLP

Reports on the audit of the Group Financial Statements.

Scheme Custodian
The Bank of New York Mellon

Maintains safe custody of the Scheme's assets.

Investment Adviser
Andy McKinnell
of Aon Hewitt Limited

Advises the Group Trustees on all investment matters including the Statement of Investment Principles.

Legal Adviser
Mark Greenlees
of Sacker and Partners

Advises on legislative requirements and application of the provisions of the Group in particular circumstances.

Performance Measurer
Andy McKinnell
of Aon Hewitt Limited

Provides the Group Trustees with a measurement service for their investments relative to the strategic benchmark and on the performance of the investment managers.

Segregated Fund Managers

Unitised Fund Managers

The fund managers appointed by EPTL to manage the Unitised Fund Sectors used by the Group during the year were:

Bidwells – UK Forestry Sector;
CB Richard Ellis Investors Limited – UK Property Sector; and

Additional Voluntary Contributions (AVCs) Providers

AMP London Life Assurance Company Limited
Equitable Life Assurance Society Limited
The Prudential Assurance Company Limited

Membership Statistics for the year ended 31 March 2012

Site Licence Company Section

<i>for the year ended 31 March 2012</i>						
	Contributors	Pensioners	Dependants	Annuityants	Deferred Pensioners	Total
At 1 April 2011	2,755	5,019	1,240	-	1,446	10,460
Adjustments to opening balance	(1)	2	1	-	3	5
Sub Total	2,754	5,021	1,241	-	1,449	10,465
Increases						
Contributors/pensioners/dependants/annuityants/deferred pensioners	2	200	93	-	46	341
Transfers from other ESPS Groups	-	-	-	-	-	-
Sub Total	2	200	93	-	46	341
Reductions						
Contributors/annuityants/deferred pensioners retiring	(115)	-	-	-	(84)	(199)
Deaths	(4)	(132)	(55)	-	(2)	(193)
Leavers with deferred pensions	(45)	-	-	-	-	(45)
Leavers with refunds of contributions/transfers to other schemes	-	-	(5)	-	(4)	(9)
Transfers to other ESPS Groups	-	-	-	-	(2)	(2)
Sub Total	(164)	(132)	(60)	-	(92)	(448)
At 31 March 2012	2,592	5,089	1,274	-	1,403	10,358

Babcock Services Section

<i>for the year ended 31 March 2012</i>						
	Contributors	Pensioners	Dependants	Annuitants	Deferred Pensioners	Total
At 1 April 2011	92	13	1	-	27	133
Adjustments to opening balance	-	-	-	-	-	-
Sub Total	92	13	1	-	27	133
Increases						
Contributors/pensioners/dependants/annuitants/deferred pensioners	-	2	-	-	10	12
Transfers from other ESPS Groups	-	-	-	-	-	-
Sub Total	-	2	-	-	10	12
Reductions						
Contributors/annuitants/deferred pensioners retiring	(2)	-	-	-	-	(2)
Deaths	-	-	-	-	-	-
Leavers with deferred pensions	(10)	-	-	-	-	(10)
Leavers with refunds of contributions/transfers to other schemes	-	-	-	-	(1)	(1)
Transfers to other ESPS Groups	-	-	-	-	-	-
Sub Total	(12)	-	-	-	(1)	(11)
At 31 March 2012	80	15	1	-	36	132

Energy Solutions Section

<i>for the year ended 31 March 2012</i>						
	Contributors	Pensioners	Dependants	Annuitants	Deferred Pensioners	Total
At 1 April 2011	38	-	-	-	13	51
Adjustments to opening balance	-	-	-	-	-	-
Sub Total	38	-	-	-	13	51
Increases						
Contributors/pensioners/dependants/annuitants/deferred pensioners	-	3	-	-	-	3
Transfers from other ESPS Groups	-	-	-	-	-	-
Sub Total	-	3	-	-	-	3
Reductions						
Contributors/annuitants/deferred pensioners retiring	(1)	-	-	-	(2)	(3)
Deaths	-	-	-	-	-	-
Leavers with deferred pensions	-	-	-	-	-	-
Leavers with refunds of contributions/transfers to other schemes	-	-	-	-	-	-
Transfers to other ESPS Groups	-	-	-	-	(1)	(1)
Sub Total	(1)	-	-	-	(3)	(4)
At 31 March 2012	37	3	-	-	10	50

National Nuclear Laboratories (NNL) Section

<i>for the year ended 31 March 2012</i>						
	Contributors	Pensioners	Dependants	Annuitants	Deferred Pensioners	Total
At 1 April 2011	10	3	-	-	-	13
Adjustments to opening balance	-	-	-	-	-	-
Sub Total	10	3	-	-	-	13
Increases						
Contributors/pensioners/dependants/annuitants/deferred pensioners	-	-	-	-	1	1
Transfers from other ESPS Groups	-	-	-	-	-	-
Sub Total	-	-	-	-	1	1
Reductions						
Contributors/annuitants/deferred pensioners retiring	-	-	-	-	-	-
Deaths	-	-	-	-	-	-
Leavers with deferred pensions	(1)	-	-	-	-	(1)
Leavers with refunds of contributions/transfers to other schemes	-	-	-	-	-	-
Transfers to other ESPS Groups	-	-	-	-	-	-
Sub Total	(1)	-	-	-	-	(1)
At 31 March 2012	9	3	-	-	1	13

Pensions Increases

The Rules of the Scheme applicable to the Group provide for all pensions in payment, children's allowances and deferred pensions to be increased on an annual basis on 1 April each year in accordance with the rise in the Retail Prices Index (RPI) in the 12 months ended on the preceding 30 September. If the RPI increase is greater than 5% Magnox Limited has the discretion to limit the pension increase to a lower figure subject to a minimum of 5%.

The RPI increase at 30th September 2011 was 5.6%. Magnox Ltd exercised its discretion and restricted the increase at 1st April 2012 to 5%

Pension increases over the previous five years were:

1 April 2012	5.0%
1 April 2011	4.6%
1 April 2010	0.0%
1 April 2009	5.0%
1 April 2008	3.9%

Transfers from the Scheme

Deferred pensioners can transfer the cash equivalent of their deferred benefits to a new employer's approved pension arrangement.

New regulations were brought into force on 1 October 2008, the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008, replacing the old actuary certified process with a trustee-driven regime. The effect of this was to reduce the actuary's role to an advisory one and the Group Trustees became responsible for calculating and verifying transfer values.

The transfer value payable in such circumstances is to be calculated and verified by either:

- calculating the cash equivalent of the deferred benefits on a best estimate basis; or
- an alternative method in accordance with Regulation 7E of the 2008 Regulations.

The Finance Act 2004 introduced new rights for members who leave the Group with between 3 months and two years of Qualifying Service. These individuals can choose between a refund of contributions and a Cash Transfer Sum (which is calculated in the same manner as a cash equivalent transfer value but without the underlying minimum guarantee which applies to deferred pensioners as set out in the second bullet point above).

In all cases the cash equivalents paid during the year were calculated and verified in the manner prescribed by the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

The policy of the Group Trustees is to make no allowance for discretionary benefits.

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2012

Investment Arrangements

The investment strategy set by the Group Trustees is based on advice received from Aon Hewitt which takes account of the Group's current and anticipated future pension liability profile.

The Group Trustees are responsible for making suitable arrangements for the investment of the assets of the Group and for monitoring the investment performance of those assets.

In addition to investing Group assets in Segregated/Pooled Funds under the investment management of fund managers appointed by the Group Trustees, the Group Trustees may use the Sectors of the Unitised Fund operated by EPTL under the investment management of fund managers appointed by EPTL.

The Group Trustees use both Segregated/Pooled Funds and the Unitised Fund. At the end of the year the assets were split as follows.

Section	SLC	Babcock	Energy Solutions	National Nuclear Laboratory
Segregated/Pooled Funds (%)	94.9	95.8	96.4	94.8
Unitised Fund (%)	5.1	4.2	3.6	5.2
Total	100.0	100.0	100.0	100.0

As at 31 March 2012 the names of the fund managers appointed by the Group Trustees, the investment portfolio(s) which they managed, and the amounts under their management were:

SLC Section

Manager	£m	%
Legal & General Investment Management Limited	137.5	6.0
Lindsell Train Ltd	90.1	3.9
Genesis Asset Managers	51.2	2.2
Trilogy Global Advisers	47.3	2.1
UBS Asset Management Ltd	353.5	15.3
SSgA	214.4	9.3
PIMCO Europe Ltd	203.7	8.8
BlackRock Investment Management (UK) Limited	676.3	29.3
Goldman Sachs Asset Management	28.1	1.2
Ruffer LLP	81.1	3.5
Baring Asset Management	81.4	3.5
Schroder Investment Management Limited	79.7	3.5
JP Morgan Asset Management Ltd	73.2	3.2
Henderson Global Investors	14.3	0.6
Innisfree Ltd	21.1	0.9
Goldman Sachs Opportunities Partners	5.7	0.3
EPTL Unitised Fund	91.0	3.9
EPTL Unitised Fund	26.3	1.1
BlackRock Investment Management (UK) Limited	33.0	1.4
Total	2,308.9	100.0

Babcock Section

Manager	£m	%
Legal & General Investment Management Limited	3.3	8.9
Lindsell Train Ltd	7.4	19.8
PIMCO Europe Ltd	4.5	12.1
PIMCO Europe Ltd	8.8	23.6
Goldman Sachs Asset Management	0.7	2.0
Schroder Investment Management Limited	6.3	16.9
JP Morgan Asset Management Ltd	2.8	7.5
EPTL Unitised Fund	1.6	4.2
BlackRock Investment Management (UK) Limited	1.9	5.0
Total	37.3	100.0

Energy Solutions EU Section

Manager	£m	%
Legal & General Investment Management Limited	3.6	11.1
Lindsell Train Ltd	6.8	20.9
PIMCO Europe Ltd	8.6	26.3
PIMCO Europe Ltd	5.4	16.6
Goldman Sachs Asset Management	0.6	1.8
Schroder Investment Management Limited	4.0	12.3
JP Morgan Asset Management Ltd	2.2	6.8
EPTL Unitised Fund	1.2	3.6
BlackRock Investment Management (UK) Limited	0.2	0.6
Total	32.6	100.0

National Nuclear Laboratory Section

Manager	£m	%
Legal & General Investment Management Limited	0.7	13.7
Lindsell Train Ltd	1.0	19.0
PIMCO Europe Ltd	0.8	15.1
PIMCO Europe Ltd	0.9	16.8
Goldman Sachs Asset Management	0.1	2.5
Schroder Investment Management Limited	1.4	26.8
EPTL Unitised Fund	0.3	5.3
BlackRock Investment Management (UK) Limited	0.1	0.8
Total	5.3	100.0

Changes to the SLC Section

During the fourth quarter of 2011, the SLC Section entered into a collateral switch arrangement with Barclays Capital whereby the Trustee agreed to loan £150m of index-linked gilts to provide liquid capital to Barclays in exchange for government-backed collateral which is less liquid and a premium in addition to the return generated by the index-linked gilts. Therefore, a proportion of the Group's index-linked gilts managed by BlackRock were transferred to SSgA to be used as collateral in the transaction.

In addition, following a period of poor performance and increasing concern over the manager's ability to deliver longer-term outperformance, the UK equity mandate managed by SWIP was terminated in January 2012. The assets were transferred to the existing pooled UK equity fund managed by Legal & General at least until such time that the Trustee can undertake a wider review of the growth asset strategy and decide on a longer-term deployment of these assets.

Changes to the Babcock, Energy Solutions and National Nuclear Laboratory Sections

There were no changes to the investment strategy applied to the Babcock and Energy Solutions Sections over the 12 months ending 31 March 2012. With regards the National Nuclear Laboratories Section, excess cash built up during the year and this was invested in the PIMCO Corporate Bond Fund in order to increase the allocation to matching assets as part of the Trustee's intention to de-risk the Section.

The Group Trustees specify the investment objectives for each of these portfolios, including performance targets for each manager. Investment reports are received in accordance with the instructions of the Group Trustees, and representatives of each fund manager attend meetings of the Group Trustees as required to discuss the results of their management of the portfolio(s) concerned against targets.

The performance objectives set for each of the above portfolios are shown in the following two tables:

Fund managers outside of the unitised Fund:

Manager	Benchmark Index	Performance Target
Legal & General	FTSE All Share Index	Track benchmark
Lindsell Train	FTSE All Share Index	Total return in excess of FTSE All Share Index
Genesis	MSCI Emerging Markets Index	n/a
Trilogy	MSCI Emerging Markets Index	3.0% pa above benchmark
UBS	69% FTSE A Over 5 year Index Linked Gilts 15.5% FTSE A Over 15 year Gilts 15.5% Merrill Lynch Over 10 year Non Gilt	2.0% pa above benchmark over rolling 3 years
SSgA	A pre-determined selection of index-linked gilts	These gilts are held on a passive basis in order to support the collateral switch arrangement with Barclays
PIMCO	1/3 Barclays Capital Global Aggregate Credit Component, 1/3 Bank of America Merrill Lynch Global High Yield BB-B rated Constrained, 1/3 JP Morgan EMBI Global, all hedged to GBP	Seeks to maximise total return, consistent with prudent investment management
BlackRock	Group cashflow liability profile	Track benchmark
BlackRock	iBoxx Sterling Non-Gilt Over 10+ Year Index	0.75% pa above benchmark over rolling 3 years
BlackRock	Credit screened bonds	n/a
GSAM	Sterling 1-Month LIBOR	15% pa above benchmark over rolling 3 years
Ruffer	n/a	Absolute return objective
Barings	Sterling LIBOR	4% pa above benchmark (net of fees) over rolling 3 years
Schroder	RPI	5% pa above benchmark over a 5 to 7 year cycle
JP Morgan	Sterling 3-Month LIBOR	5% to 7% above benchmark
Henderson	A gross average running cash yield of 10% to 12% per annum, and a gross internal rate of return of 15% to 18%.	RPI + 4% per annum (gross)
Innisfree	To provide an income stream net of all fees and costs of 7.5% to 9.0% per annum of the average annual drawings over the three previous years.	RPI + 4% per annum (gross)
GSOP	n/a	To provide a return of 2x invested capital
BlackRock	7-Day LIBID	Maximise current income consistent with the preservation of principal and liquidity through the maintenance of a portfolio of high quality short-term 'money market' instruments

In addition, the Babcock, Energy Solutions and National Nuclear Laboratories Sections invest in the following funds:

Manager	Benchmark Index	Performance Target
PIMCO	iBoxx Sterling Non-Gilts 10+ Years	1% pa above benchmark over rolling three years
PIMCO	FTSE A Over 5 Year Index-Linked Gilts	1% pa above benchmark over rolling three years

The Sectors used by the Group Trustees within the Unitised Fund and the performance benchmarks in respect of each Sector during the year were:

Sector	Performance Benchmark	Outperformance Target
UK Property	Investment Property Databank (IPD) Monthly Index	1.0% per annum above benchmark
UK Forestry	IPD Forestry Index (for guidance only)	N/A

Investment reports are received at quarterly intervals and fund manager representatives attend meetings of the Group Trustees as required to discuss the results of their management of the Sectors concerned against targets.

See Note 11 to the Financial Statements for details of the allocation of Group Assets to the Unitised Fund as at 31 March 2012.

Statement of Investment Principles

The Group Trustees have produced a Statement of Investment Principles (SIP) in accordance with the requirements of the Pensions Act 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's voluntary code of conduct for Institutional investment decision making in the UK (the Myners principles) Section 35 of the Pensions Act 1995. In preparing the SIP the Group Trustees took professional advice from Aon Hewitt Limited and consulted with the Company.

The SIP covers the Group Trustees' policy on the following matters:

- (a) ensuring compliance with the current investment requirements;
- (b) the types of investment, and the balance between different types of investment;
- (c) risk;
- (d) expected return of investments;
- (e) realisation of investments; and
- (f) socially responsible investment.

The Group Trustees are not aware of and have not been informed by the fund managers of any departures from the SIP during the year.

A copy of the SIP can be obtained by writing to the Group Administrator, whose address and telephone number appear on page 35.

Investment Performance

The Magnox Electric Group of the Electricity Supply Pension Scheme – SLC Section generated a return of 12.0% over the one year period to 31 March 2012. This return was 1.2% below the overall Group benchmark return for the same period. Whilst the Lindsell Train UK Equity Portfolio and Genesis Emerging Market Equity Fund both comfortably outperformed their respective benchmarks, other Scheme managers struggled, with the Goldman Sachs Asset Management Fundamental Currency Fund and Henderson Global Investors PFI Fund being amongst the biggest detractors from performance.

The Magnox Electric Group of the Electricity Supply Pension Scheme – Babcock, Energy Solutions and National Nuclear Laboratory Sections generated returns of 7.5%, 8.1% and 5.7% respectively over the one year period to 31 March 2012. These returns were driven largely by the strong performance of the Lindsell Train UK Equity Fund.

The Group Trustees determine the broad investment policy to be adopted by Magnox Electric Group of the Electricity Supply Pension Scheme. The objectives set are as follows:

Cashflow Objective: to ensure that sufficient assets and cashflow are available to pay members benefits as and when they arise,

Valuation Objective: to have due regard to the volatility of measures of funding and security and the employers ability in meeting contribution payments given their size and incidence,

Discontinuance Objective: to ensure that should the Scheme be discontinued there would be sufficient assets to meet the discontinuance liabilities.

The Trustees recognise that these primary objectives may conflict and that in resolving this conflict it is necessary to accept some risk. In seeking to meet these primary objectives the Trustees' aim is to maximise the return on the Group's assets whilst managing risk to an appropriate level.

The asset allocation for the SLC Section relative to the benchmark distribution is detailed on the following page. The Investment Committee monitors and makes recommendations to the Trustee to rebalance the SLC Section's 'Growth Assets' if they fall outside the 'Guide Range' detailed in the table.

All Assets							
	31/03/2012	31/03/2012	31/03/2012	31/03/2012			
	£m	£m	%	%			
UBS	353.5	1,277.2	15.3	55.3			
BlackRock	709.3		30.7				
SSgA/BNYM	214.4		9.3				
					Growth Assets		
					%	%	Range %
L&G	137.5	227.6	6.0	9.9	13.3	22.1	16 to 24
L Train	90.1		3.9		8.8		
Genesis	51.2	98.5	2.2	4.3	5.0	9.6	8 to 12
Trilogy	47.3		2.1		4.6		
CBRE	91.0	705.6	3.9	30.5	8.7	11.3	8 to 12
Bidwells	26.3		1.1		2.6		
GSAM	28.1		1.2		2.7	2.7	N/A
Henderson	14.3		0.6		1.4	3.4	N/A
Innisfree	21.1		0.9		2.0		
Schroder	79.7		3.5		7.7	23.4	20 to 28
Ruffer	81.1		3.5		7.8		
Barings	81.4		3.5		7.9		
JP Morgan	73.2		3.2		7.1	7.1	6 to 10
Pimco	203.7		8.8		19.8	19.8	16 to 24
GSOP	5.7		0.3		0.6	0.6	N/A
Total	2,308.9	2,308.9	100.0	100.0	100.0	100.0	

The asset allocation for the Babcock, Energy Solutions and National Nuclear Laboratory Sections are detailed on pages 18 and 19.

During the year the SLC Section achieved an overall return on assets of 12.0%, which was comprised as follows:

Manager and Fund	Benchmark/Target	Return (%)	Bmk (%)
Legal & General – UK Equity	FTSE All Share	1.5	1.4
Lindsell Train – UK Equity	FTSE All Share	7.2	1.4
Genesis – Emerging Equity	MSCI Emerging Markets	-4.2	-8.4
Trilogy – Emerging Equity	MSCI Emerging Markets	-10.1	-8.4
UBS – Bonds	Composite Benchmark	17.8	20.1
PIMCO – Diversified Income/Bonds	Composite Benchmark	8.2	9.2
BlackRock – Bonds	Composite Benchmark	19.8	19.8
GSAM – Currency	£ 1-Month LIBOR +15%	6.2	16.6
Ruffer – Diversified Growth	Absolute Return objective	4.8	5.0
Barings – Diversified Growth	£ LIBOR +4%	4.7	5.0
Schroders – Diversified Growth	RPI +5% per annum	-1.1	8.6
JP Morgan – Fund of Hedge Funds	£ 3-Month LIBOR +5%	1.0	5.7
Henderson – PFI	RPI +4% per annum	-20.1	9.0
Innisfree – PFI	RPI +4% per annum	6.2	9.0
EPTL - Property Fund	IPD Monthly Index	6.4	6.7
EPTL – Forestry Fund	IPD Forestry Index	56.3	n/a
BlackRock – Cash Fund	7-Day LIBID	0.8	0.8

During the year the Babcock Section achieved an overall return on assets of 7.5%, the Energy Solutions Section achieved an overall return on assets of 8.1% and the National Nuclear Laboratory Section achieved an overall return on assets of 5.7%. Details of the Sections' individual manager returns are detailed below:

Manager and Fund	Benchmark/Target	Return (%)	Bmk (%)
Legal & General – UK Equity	FTSE All Share	1.5	1.4
Lindsell Train – UK Equity	FTSE All Share	8.0	1.4
EPTL - Property Fund	IPD Monthly Index	6.4	6.7
JP Morgan – Fund of Hedge Funds	£ 3-Month LIBOR +5%	1.0	5.7
Schroders – Diversified Growth	RPI +5% per annum	-1.1	8.6
GSAM – Currency	£ 1-Month LIBOR +15%	6.2	16.6
PIMCO – Bonds	iBoxx £ Non-Gilts 10+	10.9	11.8
PIMCO – Index Linked Gilts	FTSE A Over 5 Years ILG Index	19.1	21.2
BlackRock – Cash Fund	7-Day LIBID	0.8	0.8

The Group Trustees employ Aon Hewitt, their investment adviser, to provide quarterly independent assessments and help them review the Group's investment performance.

A summary of the SLC Section's performance against its benchmarks over the last five years is given in the table below.

Period	SLC Section (%)	Benchmark (%)
2012	12.0	13.2
2011	8.8	8.1
2010	22.1	17.9
2009	-2.4	2.7
2008	5.3	7.0
Annualised return over last 3 years	14.1	12.9
Annualised return over last 5 years	8.9	9.6

A summary of the Babcock, Energy Solutions and National Nuclear Laboratory Sections against their benchmarks over the last year is given in the table below.

Section	Annual Return (%)	Benchmark (%)
Babcock	7.5	9.3
Energy Solutions	8.1	9.2
National Nuclear Laboratory	5.7	8.2

The Retail Price Index (RPI) for the year to 31 March 2012 was 3.6% whilst the three year annualised rate of RPI growth was 4.5% per annum.

Investment vehicles

Including the Unitised Fund, approximately 76% of the SLC Section's assets (excluding AVCs) are invested in pooled investment vehicles, with the remaining 24% invested in segregated arrangements with the respective investment managers.

The aggregate underlying investments of the pooled investment vehicles of the SLC Section were:

Sector	£m	%
Bonds	556.6	24.1
Diversified Growth Funds	169.0	7.3
UK Equity	137.4	6.0
Index-Linked Gilts & Swap Funds and Credit Screened Bonds	508.9	22.0
Emerging Equity	98.6	4.3
Unitised Fund – Property	91.0	3.9
Fund of Hedge Funds	73.2	3.2
PFI	35.4	1.5
Cash	33.3	1.5
Currency	28.2	1.2
Unitised Fund – Forestry	26.3	1.1
Distressed Debt	5.7	0.3
Total	1,763.6	76.4

The aggregate underlying investments of the pooled investment vehicles of the Babcock, Energy Solutions and National Nuclear Laboratory Sections were:

Sector	Babcock (£m)	Energy Solutions (£m)	National Nuclear Laboratory (£m)
UK Equity	10.7	10.4	1.7
Bonds and Index Linked Gilts	13.3	14.0	1.7
Currency	0.8	0.6	0.1
Diversified Growth Funds	6.3	4.0	1.4
Fund of Hedge Funds	2.8	2.2	-
Unitized Fund - Property	1.5	1.2	0.3
Cash	1.8	0.1	0.1
Total	37.2	32.5	5.3

Property

Investments in the ESPS UK Property Sector comprise freehold office buildings, retail premises and industrial units throughout the UK with an open market value of £94.1 million at 31 March 2012.

Investments in the ESPS UK Forestry Sector comprise woodlands located in Scotland and Northern England, with an open market value of £26.3 million at 31 March 2012.

Derivative contracts

Derivative contracts are valued at fair value with assets shown at bid price and liabilities at offer price.

Derivative contracts' changes in fair value are included in change in market value where the economic rationale for the contracts relates to assets. Where the underlying economic rationale relates to income, the change in fair value is reflected in investment income.

Futures contracts are stated at fair value and using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market quoted price of the contract. A clearing broker is used by the Group to settle all futures contracts. Amounts due from the broker represent the initial margin (reflecting collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and any unrealised gains and losses on open futures contracts.

Exchange traded options are stated at fair value and are determined using the exchange price for closing out the option at the reporting date. For over the counter (“OTC”) contract options, fair value is determined by the custodian using generally accepted pricing models such as Black Scholes, using inputs reflecting market data at the year end date.

Interest rate and currency swaps are stated at fair value and are calculated using pricing models based on the prevailing market price of comparable instruments at the year end date unless publicly traded in which case the market price is used. Interest is accrued monthly on a basis consistent with the terms of the swap. The amounts included in change in market value are the realised gains and losses on closed contracts and the unrealised gains and losses on open contracts. Net receipts or payments on swap contracts are either reported in change in market value (where the economic rationale relates to assets) or investment income (where the economic rationale relates to income).

Assets and liabilities in foreign currencies are expressed in sterling at the relevant rates of exchange ruling at the year end. Transactions denominated in foreign currencies are translated into sterling at the spot exchange rate prevailing at the date of the transaction.

Gains and losses arising on conversion or translation are shown within the change in market value of investments.

Employer Related Investments

The Investment Regulations limits employer related investments by occupational pension schemes. These investments include shares, loan stocks, debentures and other securities issued by the employers participating in the scheme and their associated companies, together with loans made to the employers, and any properties or land owned by the scheme and occupied by the employers.

The Regulations apply separately to each Group within the Scheme, by reference to the investments of the Group Trustees in the Employers participating in their Group and their associated companies, and provide that such employer-related investments must not exceed 5% of the market value of the Group’s assets.

As at 31 March 2012 the Magnox Electric Group of the Electricity Supply Pension Scheme Group had minimal exposure to Magnox Electric Limited and its associated companies and was well within the 5% limit prescribed by the Regulations. During the previous year, the Trustees undertook a detailed analysis of the maximum potential exposure to any of the sponsoring employers and were comfortable that the 5% limit could not be breached under the current investment strategy. The Trustees will formally review this position on an annual basis and will consider the implication for any future change in investment strategy.

See also Note 11 to the Financial Statements page 93.

AVC Investments

During the year 546 members made additional voluntary contributions (AVC investments) into building societies and insurance companies to obtain further benefits, on a money purchase basis, within the overall limits set by HM Revenue & Customs. The Group Trustees hold these assets invested separately from the main fund in the form of individual building society accounts and insurance policies. Each member receives an annual statement at the year end confirming the amount held in his/her account and the movements in the year.

Custody

The assets of the Group are subject to the overall custody and control of EPTL and are held by the Scheme-wide custodians appointed by EPTL to safeguard the assets.

The Bank of New York Mellon is the custodian in relation to securities. Where certificates are available in relation to such securities, they are held by The Bank of New York Mellon and identified as investments of the Scheme. Where certificates are not available, but records are held in computer based systems, the relevant accounts record the Scheme's ownership.

Documents of title in relation to UK Property and Forestry within the Unitised Fund are held by EPTL's solicitors in the name of EPTL's wholly owned nominee company, Electricity Supply Nominees Limited.

For Segregated Funds, money at call and short notice is placed in accordance with the provisions of Investment Management Agreements negotiated between Group Trustees and Segregated Fund Managers. For the Unitised Fund, money at call and short notice is placed only with banks which have as a minimum a Moody's P1 short-term deposit rating and meet other criteria. Additionally, limits are in place to minimise exposure to any one bank. In each case the Scheme is identified as the lender.

All cash is held in bank accounts in the name of the Scheme, or in a fund manager's institutional cash fund, commonly called a cash pool. This type of investment allows cash to be invested across a broad range of institutions thereby reducing risk and exposure.

CHANGES IN SCHEME PROVISIONS

Scheme wide amendments by the Scheme Co-ordinator, Electricity Pensions Limited (EPL)

EPL may amend the provisions of the Scheme with the unanimous consent of all of the participating Principal Employers. During the year ended 31 March 2012 the following Scheme-wide amendment was made by EPL:

Review Amendments

A Deed of Amendment in relation to the amendments for the review of the operation of the ESPS (Please see separate section of page 31) was signed on 9 January 2012.

Trivial Commutation Limits

A Deed of Amendment dated 19 April 2011 amended the definition of the Trivial Commutation limit so that it now allows members aged between 60 and 75 to be able to take parts of their pension pots valued at less than £2,000 (under all schemes relating to the same employment as a lump sum).

Group amendments by the Company

The Principal Employer, Magnox Electric may make amendments to the provisions of the Scheme as they apply to Magnox Electric Group.

Review of the Operation of the ESPS

Reports were made at the last three Scheme AGMs on a review of the internal organisation and operation of the ESPS. The Scheme amendments for the review were signed by the Principal Employers on 9 January 2012 (please see Changes in Scheme Provisions section of the Report on page 30).

The outcome of the review is summarised as follows:

Operation of EPTL

The revised constitution comprises of a new Council and less Directors on the Board. Further information can be found in the Additional Trustees Responsibilities section above. The Board will normally meet four times a year, and no standing committees are envisaged.

Provision of Central Administration Services

Central administration services are now provided to the Scheme by Capita Hartshead (CH). Eight members of the former EPSL team transferred to CH on 9 January 2012. The services provided by CH are identified as either Necessary Shared Services (NSS), or as Voluntary Shared Services (VSS) and use of VSS is at the discretion of Groups and Employers. EPTL and EPL are both joint parties to the CH contract, and have entered into an Administration Governance Agreement to regulate the relationship with CH. Under the terms of this agreement a joint contract monitoring group has been established and CH's management will report the performance of the contact to this group.

Custody

EPTL remains responsible for appointing a Scheme Wide custodian (currently BNY Mellon), for negotiating contractual terms, and for monitoring the custodian's performance. Stock lending arrangements, and other services provided by or available from the custodian remain unchanged.

Groups are now treated as if they are directly contracted with the custodian and on a day to day basis much of the practical responsibility for monitoring custody aspects of asset reorganisations, transitions, and transfers are now the responsibility of Groups.

Instructing the Custodian and Clearing Broker

EPTL are no longer directly responsible for instructing the Scheme Wide custodian on investment/disinvestment of assets, including the opening and closing of portfolio accounts and undertaking of transitions. Groups make their own arrangements for these tasks, subject to making representations to EPTL that they have appropriate control, objectives and procedures in place.

Group Cash Accounts

The operation of Group Cash Accounts is now entirely a matter for Groups, subject to the necessity to make representations to EPTL about appropriate controls and procedures and that the accounts meet EPTL's requirements.

Portfolio Accounting

EPTL remains responsible for appointing a Scheme Wide portfolio accountant, and for negotiating the contract terms. Groups can undertake their own monitoring of portfolio accounting, subject to giving certain representations to EPTL.

Future Arrangements for Custody and Portfolio Accounting

It is the intention to review the custody and portfolio accounting arrangements during 2015.

Group Accounts

Groups continue to be responsible for appointing their own Group auditors and for preparation of their Group Reports & Accounts. The role of EPTL in relation to Group Accounts is confined to prescribing information which Group Trustees must include in their Group Reports & Accounts, this is to enable the Scheme Report & Accounts to cross refer to Group Reports & Accounts in order to be SORP and UK GAAP compliant.

Scheme Accounts

EPTL remains responsible for appointing the Scheme auditors (currently PwC) and for preparing the annual Scheme Report & Accounts, after preparation by Groups of their Group Reports & Accounts.

ESPS Unitised Fund

EPTL will continue to operate the Unitised Fund UK Property and Forestry Sectors for Groups. The Property Sector will continue to be monitored by the Property Monitoring Group. Each Group holding units in the two Sectors now participates in an informal committee of unit holders for the Sector, which normally meet as a committee once a year, and are intended to ensure that both Sectors are operated so far as practicable in accordance with the unit holders' wishes. The former Cash Sector of the Unitised Fund has been discontinued, and Groups previously using the Sector have put alternative arrangements in place for the management of cash holdings within their Group Assets.

Employer-Related Investments

EPTL no longer arranges to monitor employer-related investments for Groups. Groups are responsible for monitoring and reporting on compliance with the revised regulatory regime which came into force on 23 September 2010.

DB Investment Framework, AVC and DC Arrangements

Further work is planned to implement these aspects of the review.

Scheme AGM

The Scheme AGM is held later in the year, consistent with the extended timetable for finalisation of the Scheme Report & Accounts. The provisions for proxy voting in relation to member's resolutions at the Scheme AGM have been removed.

Lobbying

Central lobbying on pensions issues is undertaken only on behalf of and with the authority of EPTL and/or EPL in relation to particular issues. Groups and Employers are otherwise responsible for undertaking their own lobbying when considered appropriate.

VAT and Tax

The Scheme's single VAT registration remains unchanged, and the Capita Hartshead will file tax and other claims.

Website

The previous ESPS website to which EPTL and EPL Directors, Groups, Employers, and relevant advisers could have appropriate password protected access has been replaced and all material integrated into Capita Hartshead's eShare governance software system.

Consultancy, Query Answering, and Financial Information

Queries arising directly from the current work of EPTL and EPL are dealt with as a central administrative Capita Hartshead service, but otherwise consultancy and query answering is subject to individual Groups subscribing to the service and paying the additional costs involved.

DISPUTE RESOLUTION PROCEDURE

Pension legislation requires pension schemes to have procedures for the trustees to resolve disputes arising from the running of the scheme.

The Dispute Resolution Procedure for the Group is a two-stage process. In the first instance a complaint from a member (including a pensioner, dependant, and deferred member) or prospective member must be addressed to the Group Administrator. In normal circumstances a response will be made within two months. If dissatisfied with the response, the complainant is entitled to refer the complaint to the Group Trustees within six months of receiving the response from the Group Administrator. The Group Trustees will reply directly, again where possible within two months.

This procedure has been introduced to comply with legislative requirements and does not preclude any member from raising any queries regarding the Group informally at any time.

NAMES AND ADDRESSES OF EXTERNAL BODIES

The Pensions Advisory Service

The Pensions Advisory Service is available to help members and beneficiaries of occupational pension schemes resolve any difficulties they may have encountered and which they have failed to resolve with the trustees or administrators of schemes. The Pensions Advisory Service may be contacted either while a complaint is being reviewed under the dispute resolution procedure or if the complainant is not satisfied with the response received from the Group Trustees under the second stage of the procedure.

The Pensions Advisory Service can be contacted at 11 Belgrave Road, London SW1V 1RB. Telephone 0845 6012923.

Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved, normally after the intervention of the Pensions Advisory Service, an application can be made to the Pension Ombudsman for adjudication. The Ombudsman can investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The services of the Ombudsman are available to the members, beneficiaries and prospective members of pension schemes.

The Pensions Ombudsman can be contacted at 11 Belgrave Road, London SW1V 1RB. Telephone 020 7834 9144.

The Department for Work and Pensions (DWP) Pension Tracing Service

The purpose of the DWP's Pension Tracing Service is to provide a tracing service for ex-members of schemes and their dependants with pension entitlements who have lost touch with earlier employers and their schemes. The ESPS is registered with the DWP under Scheme reference number 10200656.

The contact details for the Pension Tracing Service are as follows:

**Pension Tracing Service
The Pension Service
Whitley Road
Newcastle upon Tyne
NE98 1BA**

**Telephone: 0845 600 2537
www.thepensionservice.gov.uk**

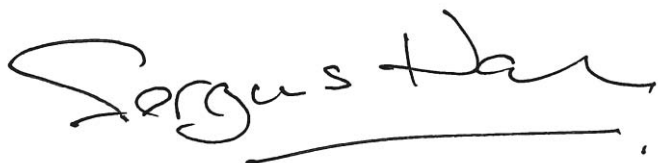
ADDRESS FOR ENQUIRIES

Further information about the Scheme and enquiries relating to specific benefit entitlements should be addressed to:

Electricity Pensions Administration Limited (EPAL)
West Oak House
Westwood Way
Westwood Business Park
Coventry
CV4 8HS

Tel: 02476 472582

E-mail: enquiries@epal.uk.com

A handwritten signature in dark ink, appearing to read 'Sergio Han', with a horizontal line underneath it.

Trustee

MAGNOX ELECTRIC GROUP OF THE ESPS (THE GROUP)

SLC SECTION

SCHEDULE OF CONTRIBUTIONS

Introduction

This schedule of contributions is required by Section 227 of the Pensions Act 2004. It comes into effect on the date of certification of this schedule by the Group's scheme actuary and covers the five year period from that date. The Group Trustees are responsible for preparing a revised schedule no later than 30 June 2014.

This schedule allows for the earlier payment of a deficit contribution and replaces the schedule dated 7 September 2011.

Participating Employers

This schedule covers contributions to the SLC Section of the Group from all employers who participate in the Section from time to time.

Employer Contributions

The participating employers will contribute to the Section as follows:

Type	Period	Rate/Amount
Normal and Additional (future service)	The five year period commencing with the date of certification of this schedule by the Group's scheme actuary	Rates equivalent to an average of 21.4% of Salaries for members currently contributing (including those members that would be contributing were it not for the employer's salary sacrifice arrangement). The shortfall compared with the future service cost will be met by an element of the deficit contributions set out below.
Expenses	The five year period commencing with the date of certification of this schedule by the Group's scheme actuary	£0.83M on 31 March 2011 (see below)
Deficit contributions to satisfy the recovery plan dated 27 June 2012	The five year period commencing with the date of certification of this schedule by the Group's scheme actuary	£19.17M on 31 March 2011 £20.0M on 31 March 2012 £20.0M on 31 July 2014 (the payment of this final contribution, whether in part or in full, will ultimately depend on the outcome of the valuation as at 31 March 2013)

The one-off lump sum of £0.83M paid in March 2011 will be used to meet the Section's non-investment related administration expenses (including Pension Protection Fund levies) until the Scheme Actuary advises that the sum has been fully used up (allowing for interest in accordance with the Secretary's Protocol).

The participating employers will ensure that the Group Trustees receive these contributions by the 19th day of the month following the month to which the contributions relate, except for Deficit and Expenses contributions which will be paid by the dates shown above.

Contributions will be split between Magnox Limited and other participating employers in accordance with proportions notified from time to time by Magnox Limited to the Group Administrator, on behalf of the Group Trustees, in advance of the contributions being paid. In the event that any such contributions are not paid by the other participating employers, they shall be payable by Magnox Limited.

The Group provisions cover other employer contributions when members leave service or retire which are not determined at periodic actuarial valuations. These and the above contributions are appended to this schedule. The participating employers will ensure that the Group Trustees receive these other contributions in accordance with the time limits appropriate to each contribution type as set out in Appendix A.

A participating employer may, from time to time, pay additional contributions to the Section as advised to the Group Trustees by the Principal Employer in writing.

Once the £0.83M payment is used up, non-investment related administration expenses in respect of the SLC Section of the Group will be met directly by the employer, with the exception of the Section's Pension Protection Levy, which is met by a matching employer contribution (if the levy is not directly paid by the employer).

Employee Contributions

Employees who are active members of the Section will contribute to the Section as follows:

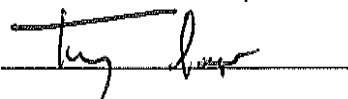
Period	Rate/Amount
The five year period commencing with the date of certification of this schedule by the Group's scheme actuary	The relevant rate of Salaries (6%, 5%, 3% or nil) as required under the Group's provisions.

These amounts do not include members' Additional Voluntary Contributions or other additional contributions members may choose to pay.

The participating employers will ensure that the Group Trustees receive the contributions payable by their employees within 19 days of the end of the calendar month in which the contributions were deducted from the employees' salaries.

Following the introduction of the Employer's salary sacrifice arrangement, certain members will no longer be required to pay their standard contributions. For those members, the participating employer will pay Additional Contributions equal to the contribution the member would have otherwise paid. The participating employers will ensure that the Group Trustees receive the Additional Contributions within 19 days of the end of the calendar month to which the contributions relate.

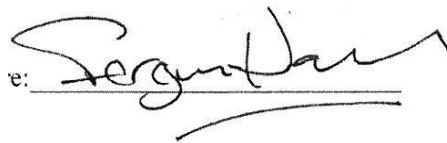
Signed on behalf of the Group Trustees

Signature: 

Name: Tony Cooper

Capacity: Trustee Director

Date: 27 June 2012

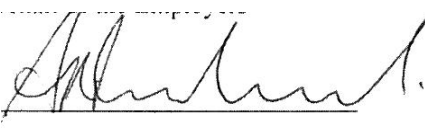
Signature: 

Name: Fergus Hall

Capacity: Trustee Director

Date: 27 June 2012

Signed on behalf of the Employers

Signature: 

Name: Alan Brandwood

Capacity: Director

Date: 27 June 2012

Certification of schedule of contributions

Name of scheme: Magnox Electric Group of the Electricity Supply Pension Scheme
SLC Section

Adequacy of rates of contributions


1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that—

The statutory funding objective could have been expected on 31 March 2010 to be met by the end of the period specified in the recovery plan dated 27 June 2012.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 22 October 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature  Date 27 June 2012

Name	Chris Vaughan-Williams	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	25 Marsh Street Bristol BS1 4AQ	Name of employer	Aon Hewitt Limited

Appendix A

Employer contribution details

Contribution	Clause/Rule	Rate/Amount
Normal	Clause 13(1)(a)	Twice members' contributions or, for members who participate in the salary sacrifice arrangement, twice members' contributions that would otherwise have been payable had the member not participated in the salary sacrifice arrangement.
Deficit (Past Service)	Clause 13(1)(i)	£19.17M on 31 March 2011 £20.0M on 31 March 2012 £20.0M on 31 July 2014 (the payment of this final contribution, whether in part or in full, will ultimately depend on the outcome of the valuation as at 31 March 2013)
Additional (Future Service)	Clause 13(1)(g)	Rates equivalent to an average of 9.4% of Salaries for members currently contributing (including those members that would be contributing were it not for the employer's salary sacrifice arrangement). The shortfall compared with the future service cost will be met by an element of the deficit contributions set out above.
Early retirement	Clause 13(1)(e) (arising from Rule 16 and Rule 17)	The cost of early retirements (assessed using actuarial factors provided by the Actuary) met by a lump sum payment during the month following that in which the early retirement occurs or such later date as may be agreed by the Principal Employer with the Group Trustees.
Supplementary pensions	Clause 13(1)(f) (arising from Rule 44)	The cost of supplementary pensions (assessed using actuarial factors provided by the Actuary) met by a lump sum payment during the month following that in which the pension is granted or such later date as may be agreed by the Principal Employer with the Group Trustees.
Special terms	Clause 13(1)(f) (arising from Rule 32)	As required under the provisions of Rule 32.

Employer's matching contribution to reduction in benefits under Rule 29(1)(b)	Clause 13(1)(b)	As required under the provisions of Clause 13(1)(b).
Employer's matching contribution to reduction in lump sum benefits under Rule 14(3), Rule 20(5) and Part II of Appendix B	Clause 13(1)(c)	As required under the provisions of Clause 13(1)(c).
Expenses of administration	Clause 13(1)(h)	£0.83M on 31 March 2011 to meet certain Section expenses (see below) Contributions required to match the Pension Protection Fund levy if not directly paid by the employer.
Other	Clause 13(1)(d) Rule 32A Clause 13(1)(ff)	As required under the provisions of Clause 13(1)(d). As required under the provisions of Rule 32A. As required under the provisions of Clause 13(1)(ff).

The one –off lump sum of £0.83M paid in March 2011 will be used to meet the Section's non-investment related administration expenses (except for Pension Protection Fund levies) until the Scheme Actuary advises that the sum has been fully used up (allowing for interest in accordance with the Secretary's Protocol).

Subject to the note below, the Participating Employers will ensure that the Group Trustees receive in such a manner (or manners) as notified to the Group Trustees in writing:

- Normal, Additional (Future Service), Expenses of Administration and Other contributions by the 19th day of the month following the month to which the contributions relate.
- Deficit contributions by the due dates shown above.
- Early retirement contributions and Supplementary pensions contributions by the 19th day of the month in which the payment falls due under the relevant arrangements described in the table above of the month in which retirement occurs or the supplementary pension is granted.

- Special terms contributions by the 19th day of the month following the month in which the grant of special terms is made or the increase in Benefit is made under Rule 32A, as applicable.
- Clause 13(1)(b) and Clause 13(1)(c) contributions by the 19th day of the month following the month in which the relevant reduction in benefits is made.

The date of receipt by the Group Trustees will be taken as the date on which the contributions are credited for value to an ESPS account designated to the Section.

MAGNOX ELECTRIC GROUP OF THE ESPS (THE GROUP)

BABCOCK SECTION

SCHEDULE OF CONTRIBUTIONS

Introduction

This schedule of contributions is required by Section 227 of the Pensions Act 2004. It comes into effect on the date of certification of this schedule by the Group's scheme actuary and covers the period to 1 April 2016. The Group Trustees are responsible for preparing a revised schedule no later than 30 June 2014.

Employer Contributions

The employer will contribute to the Section as follows:

Type	Period	Rate/Amount
Normal and Additional (future service)	The period commencing with the date of certification of this schedule by the Group's scheme actuary and ending on 1 April 2016.	Rates equivalent to an average of 25.8% of Salaries up to 31 March 2011, then 31.6% of Salaries thereafter for members currently contributing (including those members that would be contributing were it not for the employer's salary sacrifice arrangement). The shortfall over the year to 31 March 2011 will be met by an element of the deficit contributions.
Deficit contributions to satisfy the recovery plan dated 31 March 2011	The period commencing with the date of certification of this schedule by the Group's scheme actuary and ending on 1 April 2016.	£0.38M each 1 April, from 1 April 2011 to 1 April 2016 inclusive.

The employer will ensure that the Group Trustees receive these contributions by the 19th day of the month following the month to which the contributions relate, except for Deficit Contributions which will be paid by the dates shown above.

The Group provisions cover other employer contributions when members leave service or retire which are not determined at periodic actuarial valuations. These and the above contributions are appended to this schedule. The employer will ensure that the Group Trustees receive these other contributions in accordance with the time limits appropriate to each contribution type as set out in Appendix A.

The employer may, from time to time, pay additional contributions to the Section as advised to the Group Trustees in writing.

Non-investment related administration expenses in respect of the Babcock Section of the Group are met directly by the employer and do not appear in this schedule, with the exception of the Section's Pension Protection Levy, which is met by a matching employer contribution (if the levy is not directly paid by the employer).

Employee Contributions

Employees who are active members of the Section will contribute to the Section as follows:

Period	Rate/Amount
The period commencing with the date of certification of this schedule by the Group's scheme actuary and ending on 1 April 2016.	The relevant rate of Salaries (6%, 5%, 3% or nil) as required under the Group's provisions.

These amounts do not include members' Additional Voluntary Contributions or other additional contributions members may choose to pay.

The employer will ensure that the Group Trustees receive the contributions payable by their employees within 19 days of the end of the calendar month in which the contributions were deducted from the employees' salaries.

Under the Employer's salary sacrifice arrangement, certain members are no longer required to pay their standard contributions. For those members, the employer pays Additional Contributions equal to the contribution the member would have otherwise paid. The employer will ensure that the Group Trustees receive the Additional Contributions within 19 days of the end of the calendar month to which the contributions relate. For the avoidance of doubt these Additional Contributions are above and beyond the Employer contributions summarised above and in Appendix A

Signed on behalf of the Group Trustees

Signature: 

Name: Philip Parker

Capacity: Trustee Director

Date: 31 March 2011

Signature: 

Name: David Openshaw

Capacity: Trustee Director

Date: 31 March 2011

Signed on behalf of the Employer

Signature: 

Name: Bill Tame

Capacity: Chief Financial Officer

Date: 31 March 2011

Certification of schedule of contributions

Name of scheme: Magnox Electric Group of the Electricity Supply Pension Scheme
 Babcock Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that—

The statutory funding objective could have been expected on 31 March 2010 to be met by the end of the period specified in the recovery plan dated 31 March 2011.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 31 March 2011.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature		Date	31 March 2011
Name	Chris Vaughan-Williams	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	40 Queen Square Bristol BS1 4QP	Name of employer	Aon Hewitt Limited

Appendix A

Employer contribution details

Contribution	Clause/Rule	Rate/Amount
Normal	Clause 13(1)(a)	Twice members' contributions or, for members who participate in the salary sacrifice arrangement, twice members' contributions that would otherwise have been payable had the member not participated in the salary sacrifice arrangement.
Deficit (Past Service)	Clause 13(1)(i)	£0.38M each 1 April, from 1 April 2011 to 1 April 2016 inclusive.
Additional (Future Service)	Clause 13(1)(g)	13.8% of Salaries up to 31 March 2011, then 19.6% of Salaries thereafter for members currently contributing (including those members that would be contributing were it not for the employer's salary sacrifice arrangement). The shortfall over the year to 31 March 2011 will be met by an element of the deficit contributions.
Early retirement	Clause 13(1)(e) (arising from Rule 16 and Rule 17)	The cost of early retirements (assessed using actuarial factors provided by the Actuary) met by a lump sum payment during the month following that in which the early retirement occurs or such later date as may be agreed by the Principal Employer with the Group Trustees.
Supplementary pensions	Clause 13(1)(f) (arising from Rule 44)	The cost of supplementary pensions (assessed using actuarial factors provided by the Actuary) met by a lump sum payment during the month following that in which the pension is granted or such later date as may be agreed by the Principal Employer with the Group Trustees.
Special terms	Clause 13(1)(f) (arising from Rule 32)	As required under the provisions of Rule 32.
Employer's matching contribution to reduction in benefits under Rule 29(1)(b)	Clause 13(1)(b)	As required under the provisions of Clause 13(1)(b).

Employer's matching contribution to reduction in lump sum benefits under Rule 14(3), Rule 20(5) and Part II of Appendix B	Clause 13(1)(c)	As required under the provisions of Clause 13(1)(c).
Expenses of administration	Clause 13(1)(h)	Contributions required to match the Pension Protection Fund levy if not directly paid by the employer.
Other	Clause 13(1)(d)	As required under the provisions of Clause 13(1)(d).
	Rule 32A	As required under the provisions of Rule 32A.
	Clause 13(1)(ff)	As required under the provisions of Clause 13(1)(ff).

Subject to the note below, the Employer will ensure that the Group Trustees receive in such a manner (or manners) as notified to the Group Trustees in writing:

- Normal, Additional (Future Service), Expenses of Administration and Other contributions by the 19th day of the month following the month to which the contributions relate.
- Deficit contributions by the due dates shown above.
- Early retirement contributions and Supplementary pensions contributions by the 19th day of the month in which the payment falls due under the relevant arrangements described in the table above of the month in which retirement occurs or the supplementary pension is granted.
- Special terms contributions by the 19th day of the month following the month in which the grant of special terms is made or the increase in Benefit is made under Rule 32A, as applicable.
- Clause 13(1)(b) and Clause 13(1)(c) contributions by the 19th day of the month following the month in which the relevant reduction in benefits is made.

The date of receipt by the Group Trustees will be taken as the date on which the contributions are credited for value to an ESPS account designated to the Section, subject to the offset referred to in the following note.

MAGNOX ELECTRIC GROUP OF THE ESPS (THE GROUP)

REACTOR SITES MANAGEMENT COMPANY SECTION

SCHEDULE OF CONTRIBUTIONS

Introduction

This schedule of contributions is required by Section 227 of the Pensions Act 2004. It comes into effect on the date of certification of this schedule by the Group's scheme actuary and covers the five year period from that date. The Group Trustees are responsible for preparing a revised schedule no later than 30 June 2014.

Participating Employers

This schedule covers contributions to the Reactor Sites Management Company Section of the Group from all employers who participate in the Section from time to time.

Employer Contributions

The participating employers will contribute to the Section as follows:

Type	Period	Rate/Amount
Normal and Additional (future service)	The five year period commencing with the date of certification of this schedule by the Group's scheme actuary	Rates equivalent to an average of 26.8% of Salaries up to 31 October 2010, then 29.4% of Salaries thereafter. An extra payment will also be made by 30 November 2010 to allow for the backdating of the increased cost from 1 April 2010 to 31 October 2010.
Deficit contributions to satisfy the recovery plan dated 22 October 2010	The five year period commencing with the date of certification of this schedule by the Group's scheme actuary	£1.82M by 31 October 2010

The participating employers will ensure that the Group Trustees receive these contributions by the 19th day of the month following the month to which the contributions relate.

The Group provisions cover other employer contributions when members leave service or retire which are not determined at periodic actuarial valuations. These and the above contributions are appended to this schedule. The participating employers will ensure that the Group Trustees receive these other contributions in accordance with the time limits appropriate to each contribution type as set out in Appendix A.

A participating employer may, from time to time, pay additional contributions to the Section as advised to the Group Trustees by the Principal Employer in writing.

Non-investment related administration expenses in respect of the Reactor Sites Management Company Section of the Group are met directly by the employer and do not appear in this schedule, with the exception of the Section's Pension Protection Levy, which is met by a matching employer contribution (if the levy is not directly paid by the employer).

Employee Contributions

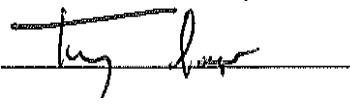
Employees who are active members of the Section will contribute to the Section as follows:

Period	Rate/Amount
The five year period commencing with the date of certification of this schedule by the Group's scheme actuary	The relevant rate of Salaries (6%, 5%, 3% or nil) as required under the Group's provisions.

These amounts do not include members' Additional Voluntary Contributions or other additional contributions members may choose to pay.

The participating employers will ensure that the Group Trustees receive the contributions payable by their employees within 19 days of the end of the calendar month in which the contributions were deducted from the employees' salaries.

Signed on behalf of the Group Trustees

Signature: 

Name: Tony Cooper

Capacity: Trustee Director

Date: 22 October 2010

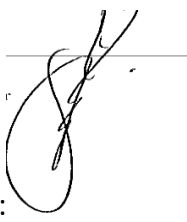
Signature: 

Name: Tony Harris

Capacity: Trustee Director

Date: 22 October 2010

Signed on behalf of the Employers

Signature: 

Name: Tim Joyce

Capacity: Director

Date: 22 October 2010

Certification of schedule of contributions

Name of scheme: Magnox Electric Group of the Electricity Supply Pension Scheme
Reactor Sites Management Company Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that—

The statutory funding objective could have been expected on 31 March 2010 to be met by the end of the period specified in the recovery plan dated 22 October 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 22 October 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature		Date	22 October 2010
Name	Chris Vaughan-Williams	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	40 Queen Square Bristol BS1 4QP	Name of employer	Hewitt Associates Limited

Appendix A

Employer contribution details

Contribution	Clause/Rule	Rate/Amount
Normal	Clause 13(1)(a)	Twice members' contributions,
Deficit (Past Service)	Clause 13(1)(i)	£1.82M by 31 October 2010
Additional (Future Service)	Clause 13(1)(g)	For members currently contributing, 14.8% of Salaries up to 31 October 2010, then 17.4% of Salaries thereafter. An extra payment will also be made by 30 November 2010 to allow for the backdating of the increased cost from 1 April 2010 to 31 October 2010.
Early retirement	Clause 13(1)(e) (arising from Rule 16 and Rule 17)	The cost of early retirements (assessed using actuarial factors provided by the Actuary) met by a lump sum payment during the month following that in which the early retirement occurs or such later date as may be agreed by the Principal Employer with the Group Trustees. The actuarial factors used to derive the value of the early retirement benefits will be based on a discount rate incorporating a flat risk premium of 0.3% p.a.
Supplementary pensions	Clause 13(1)(f) (arising from Rule 44)	The cost of supplementary pensions (assessed using actuarial factors provided by the Actuary) met by a lump sum payment during the month following that in which the pension is granted or such later date as may be agreed by the Principal Employer with the Group Trustees.
Special terms	Clause 13(1)(f) (arising from Rule 32)	As required under the provisions of Rule 32.
Employer's matching contribution to reduction in benefits under Rule 29(1)(b)	Clause 13(1)(b)	As required under the provisions of Clause 13(1)(b).

Employer's matching contribution to reduction in lump sum benefits under Rule 14(3), Rule 20(5) and Part II of Appendix B	Clause 13(1)(c)	As required under the provisions of Clause 13(1)(c).
Expenses of administration	Clause 13(1)(h)	Contributions required to match the Pension Protection Fund levy if not directly paid by the employer.
Other	Clause 13(1)(d)	As required under the provisions of Clause 13(1)(d).
	Rule 32A	As required under the provisions of Rule 32A.
	Clause 13(1)(ff)	As required under the provisions of Clause 13(1)(ff).

Subject to the note below, the Participating Employers will ensure that the Group Trustees receive in such a manner (or manners) as notified to the Group Trustees in writing:

- Normal, Additional (Future Service), Expenses of Administration and Other contributions by the 19th day of the month following the month to which the contributions relate.
- Early retirement contributions and Supplementary pensions contributions by the 19th day of the month in which the payment falls due under the relevant arrangements described in the table above of the month in which retirement occurs or the supplementary pension is granted.
- Special terms contributions by the 19th day of the month following the month in which the grant of special terms is made or the increase in Benefit is made under Rule 32A, as applicable.
- Clause 13(1)(b) and Clause 13(1)(c) contributions by the 19th day of the month following the month in which the relevant reduction in benefits is made.

The date of receipt by the Group Trustees will be taken as the date on which the contributions are credited for value to an ESPS account designated to the Section, subject to the offset referred to in the following note.

Note Benefits paid from Contributions

Benefits payments are currently made direct to members by the Principal Employer on behalf of the Group Trustees, and are offset (as far as possible) against the Employer contributions described above. The Principal Employer will pay those benefits before the Employer contributions are due to be received by the Group Trustees within the respective contribution time limits set out above.

The Principal Employer will ensure that any balance of the Employer contributions not applied to pay benefits will be received by the Group Trustees within the respective contribution time limits set out above.

MAGNOX ELECTRIC GROUP OF THE ESPS (THE GROUP)

NATIONAL NUCLEAR LABORATORIES SECTION

SCHEDULE OF CONTRIBUTIONS

Introduction

This schedule of contributions is required by Section 227 of the Pensions Act 2004. It comes into effect on the date of certification of this schedule by the Group's scheme actuary and covers the period to 1 April 2017. The Group Trustees are responsible for preparing a revised schedule no later than 30 June 2014.

Employer Contributions

The employer will contribute to the Section as follows:

Type	Period	Rate/Amount
Normal and Additional (future service)	The period commencing with the date of certification of this schedule by the Group's scheme actuary and ending on 1 April 2017.	Rates equivalent to an average of 27.1% of Salaries up to 31 March 2011, then 29.4% of Salaries thereafter. The shortfall over the year to 31 March 2011 will be met by an element of the deficit contributions.
Deficit contributions to satisfy the recovery plan dated 23 June 2011	The period commencing with the date of certification of this schedule by the Group's scheme actuary and ending on 1 April 2017.	£120,000 on 31 July 2011 followed by £120,000 each 1 April, from 1 April 2012 to 1 April 2017 inclusive.

The employer will ensure that the Group Trustees receive these contributions by the 19th day of the month following the month to which the contributions relate, except for Deficit Contributions which will be paid by the dates shown above.

The Group provisions cover other employer contributions when members leave service or retire which are not determined at periodic actuarial valuations. These and the above contributions are appended to this schedule. The participating employers will ensure that the Group Trustees receive these other contributions in accordance with the time limits appropriate to each contribution type as set out in Appendix A.

The employer may, from time to time, pay additional contributions to the Section as advised to the Group Trustees in writing.

Non-investment related administration expenses in respect of the National Nuclear Laboratories Section of the Group are met directly by the employer and do not appear in this schedule, with the exception of the Section's Pension Protection Levy, which is met by a matching employer contribution (if the levy is not directly paid by the employer).

Employee Contributions

Employees who are active members of the Section will contribute to the Section as follows:

Period	Rate/Amount
The period commencing with the date of certification of this schedule by the Group's scheme actuary and ending on 1 April 2017.	The relevant rate of Salaries (6%, 5%, 3% or nil) as required under the Group's provisions.

These amounts do not include members' Additional Voluntary Contributions or other additional contributions members may choose to pay.

The employer will ensure that the Group Trustees receive the contributions payable by their employees within 19 days of the end of the calendar month in which the contributions were deducted from the employees' salaries.

Signed on behalf of the Group Trustees

Signature: 

Name: Philip Parker

Capacity: Trustee Director

Date: 23 June 2011


Signature: 

Name: David Openshaw

Capacity: Trustee Director

Date: 23 June 2011

Signed on behalf of the Employer

Signature: 

Name: Andy Elsdon

Capacity: Company Secretary

Date: 23 June 2011

Certification of schedule of contributions

Name of scheme: Magnox Electric Group of the Electricity Supply Pension Scheme
National Nuclear Laboratories Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that—

The statutory funding objective could have been expected on 31 March 2010 to be met by the end of the period specified in the recovery plan dated 23 June 2011.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 23 June 2011.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature		Date	23 June 2011
Name	Chris Vaughan-Williams	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	40 Queen Square Bristol BS1 4QP	Name of employer	Aon Hewitt Limited

Appendix A

Employer contribution details

Contribution	Clause/Rule	Rate/Amount
Normal	Clause 13(1)(a)	Twice members' contributions.
Deficit (Past Service)	Clause 13(1)(i)	£120,000 on 31 July 2011 followed by £120,000 each 1 April, from 1 April 2012 to 1 April 2017 inclusive.
Additional (Future Service)	Clause 13(1)(g)	For members currently contributing, 15.3% of Salaries up to 31 March 2011, then 17.4% of Salaries thereafter. The shortfall over the year to 31 March 2011 will be met by an element of the deficit contributions.
Early retirement	Clause 13(1)(e) (arising from Rule 16 and Rule 17)	The cost of early retirements (assessed using actuarial factors provided by the Actuary) met by a lump sum payment during the month following that in which the early retirement occurs or such later date as may be agreed by the Principal Employer with the Group Trustees.
Supplementary pensions	Clause 13(1)(f) (arising from Rule 44)	The cost of supplementary pensions (assessed using actuarial factors provided by the Actuary) met by a lump sum payment during the month following that in which the pension is granted or such later date as may be agreed by the Principal Employer with the Group Trustees.
Special terms	Clause 13(1)(f) (arising from Rule 32)	As required under the provisions of Rule 32.
Employer's matching contribution to reduction in benefits under Rule 29(1)(b)	Clause 13(1)(b)	As required under the provisions of Clause 13(1)(b).

Employer's matching contribution to reduction in lump sum benefits under Rule 14(3), Rule 20(5) and Part II of Appendix B	Clause 13(1)(c)	As required under the provisions of Clause 13(1)(c).
Expenses of administration	Clause 13(1)(h)	Contributions required to match the Pension Protection Fund levy if not directly paid by the employer.
Other	Clause 13(1)(d)	As required under the provisions of Clause 13(1)(d).
	Rule 32A	As required under the provisions of Rule 32A.
	Clause 13(1)(ff)	As required under the provisions of Clause 13(1)(ff).

Subject to the note below, the Employer will ensure that the Group Trustees receive in such a manner (or manners) as notified to the Group Trustees in writing:

- Normal, Additional (Future Service), Expenses of Administration and Other contributions by the 19th day of the month following the month to which the contributions relate.
- Deficit contributions by the due dates shown above.
- Early retirement contributions and Supplementary pensions contributions by the 19th day of the month in which the payment falls due under the relevant arrangements described in the table above of the month in which retirement occurs or the supplementary pension is granted.
- Special terms contributions by the 19th day of the month following the month in which the grant of special terms is made or the increase in Benefit is made under Rule 32A, as applicable.
- Clause 13(1)(b) and Clause 13(1)(c) contributions by the 19th day of the month following the month in which the relevant reduction in benefits is made.

The date of receipt by the Group Trustees will be taken as the date on which the contributions are credited for value to an ESPS account designated to the Section, subject to the offset referred to in the following note.


ACTUARIAL CERTIFICATE OF TECHNICAL PROVISIONS

Actuarial certificate given for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of Section: *Magnox Electric Group of the Electricity Supply Pension Scheme – Site Licence Company Section*

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Section's technical provisions as at 31 March 2010 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the Section and set out in the Statement of Funding Principles dated 22 October 2010.

Signature		Date	22 October 2010
Name	Chris Vaughan-Williams FIA Scheme Actuary	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	40 Queen Square Bristol BS1 4QP	Name of Employer	Hewitt Associates Limited

ACTUARIAL CERTIFICATE OF TECHNICAL PROVISIONS

Actuarial certificate given for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of Section: *Magnox Electric Group of the Electricity Supply Pension Scheme – Babcock Section*

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Section's technical provisions as at 31 March 2010 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the Section and set out in the Statement of Funding Principles dated 31 March 2011.

Signature		Date	31 March 2011
Name	Chris Vaughan-Williams FIA Scheme Actuary	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	40 Queen Square Bristol BS1 4QP	Name of Employer	Aon Hewitt Limited


ACTUARIAL CERTIFICATE OF TECHNICAL PROVISIONS

Actuarial certificate given for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of Section: *Magnox Electric Group of the Electricity Supply Pension Scheme – Reactor Site Management Company Section*

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Section's technical provisions as at 31 March 2010 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the Section and set out in the Statement of Funding Principles dated 22 October 2010.

Signature		Date	22 October 2010
Name	Chris Vaughan-Williams FIA Scheme Actuary	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	40 Queen Square Bristol BS1 4QP	Name of Employer	Hewitt Associates Limited


ACTUARIAL CERTIFICATE OF TECHNICAL PROVISIONS

Actuarial certificate given for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of Section: *Magnox Electric Group of the Electricity Supply Pension Scheme – National Nuclear Laboratories Section*

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Section's technical provisions as at 31 March 2010 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the Section and set out in the Statement of Funding Principles dated 23 June 2011.

Signature		Date	23 June 2011
Name	Chris Vaughan-Williams FIA Scheme Actuary	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	40 Queen Square Bristol BS1 4QP	Name of Employer	Aon Hewitt Limited

SUMMARY FUNDING STATEMENT

The new scheme funding provisions require the Group Trustees to prepare a Statement of Funding Principles. The Group Trustees must also keep members informed about the Scheme's funding position by issuing regular summary funding statements. A summary funding statement is a formal document which provides detailed information concerning the funding position of the Scheme.

Copies of the Group Actuary's full report on the Actuarial Valuation are available from the address shown under the Further Information section on page 35.

Independent auditors' statement about contributions to the Group Trustees of the Magnox Electric Group of the Electricity Supply Pension Scheme

We have examined the summary of contributions to the Magnox Electric Group of the Electricity Supply Pension Scheme for the year ended 31 March 2012 which is set out on pages 70 and 71.

Respective responsibilities of Group Trustees and the auditors

As explained more fully in the Group Trustees' Responsibilities, the Group Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions and for monitoring whether contributions are made to the Group by the Employer in accordance with relevant requirements

It is our responsibility to provide a statement about contributions and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the Group Trustees as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of work on the statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme under the Schedule of Contributions and the timing of those payments.

Statement about contributions

In our opinion, the contributions required by the Schedules of Contributions for the Group year ended 31 March 2012 as reported in the summary of contributions have, in all material respects, been paid in accordance with the Schedules of Contributions specified in the Summary of Contributions and certified by the Actuary as detailed on page 71.

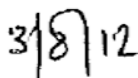


PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

Date:



Independent auditors' report to the Group Trustees of the Magnox Electric Group of the Electricity Supply Pension Scheme

We have audited the Financial Statements of the Magnox Electric Group of the Electricity Supply Pension Scheme for the year ended 31 March 2012 which comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Group Trustees and auditors

As explained more fully in the Group Trustees' Responsibilities, the Group Trustees are responsible for the preparation of the Financial Statements and being satisfied that they show a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Group Trustees as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the Financial Statements

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

In addition, we also read also the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on the Financial Statements

In our opinion the Financial Statements:

- show a true and fair view of the financial transactions of the Group during the year ended 31 March 2012, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

Date:

31/8/12

Summary of contributions payable for the Magnox Electric Group

During the year ended 31 March 2012, the contributions payable to the Group by the Employer and Employees were as follows:

Site License Company Section

	Employees £ million	Employer £ million	Total £ million
Required by the schedule of contributions			
Normal contributions	0.1	23.8	23.9
Deficit contributions	-	19.2	19.2
Augmentations	-	3.7	3.7
Supplementary pensions	-	1.9	1.9
Other	-	8.6	8.6
Total	0.1	57.2	57.3
Other contributions payable			
Deficit contributions	-	20.0	20.0
AVCs	2.9	-	2.9
Total (as per Fund Account)	3.0	77.2	80.2

Babcock Section

	Employees £ million	Employer £ million	Total £ million
Required by the schedule of contributions			
Normal contributions	-	1.2	1.2
Deficit contributions	-	0.4	0.4
Other	-	0.2	0.2
Total (as per Fund Account)	-	1.8	1.8

In addition to the above contributions, the employer paid deficit contributions of £380,000 into the Group representing a prepayment against the 1 April 2012 deficit contribution.

Energy Solutions Section

	Employees £ million	Employer £ million	Total £ million
Required by the schedule of contributions			
Normal contributions	0.2	1.1	1.3
Total (as per Fund Account)	0.2	1.1	1.3

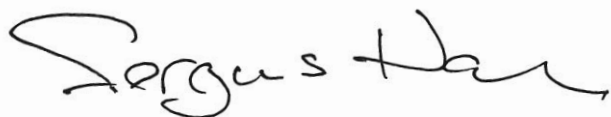
National Nuclear Laboratory Section

	Employees £ million	Employer £ million	Total £ million
Required by the schedule of contributions			
Normal contributions	-	0.1	0.1
Deficit contributions	-	0.1	0.1
Other contributions payable	-	0.2	0.2
AVCs	0.1	-	0.1
Total (as per Fund Account)	0.1	0.2	0.3

Summary of Schedules of Contributions in force during the year ended 31 March 2012:

Site Licence	22 October 2010 and 7 September 2011
Babcock	31 March 2011
Energy Solutions (formerly Reactor Sites)	22 October 2010
National Nuclear Laboratory Section	23 June 2008 and 23 June 2011

Signed on behalf of the Group Trustees:



On behalf of Magnox Electric Group Pension Trustee Ltd.
Date 2 August 2012

Fund Account

for the year ended 31 March 2012

	Note	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Contributions and benefits							
Contributions receivable	3	80.2	1.8	1.3	0.3	83.6	46.3
Transfers in	4	0.9	0.1	-	-	1.0	3.7
Other income	5	-	-	-	-	-	0.1
		81.1	1.9	1.3	0.3	84.6	50.1
Benefits payable	6	96.2	0.6	0.6	-	97.4	92.8
Payments to and on account of leavers	7	1.7	0.1	0.7	-	2.5	0.8
Other payments	8	-	-	-	-	-	0.3
		97.9	0.7	1.3	-	99.9	93.9
Net (withdrawals)/additions from dealings with members		(16.8)	1.2	-	0.3	(15.3)	(43.8)
Return on investments							
- Investment income	10	26.3	-	0.1	-	26.4	10.7
- Change in market value of investments	11	229.6	2.5	2.3	0.3	234.7	169.6
- Investment management expenses	13	(3.3)	-	-	-	(3.3)	(1.0)
Net return on investments		252.6	2.5	2.4	0.3	257.8	179.3
Net increase/(decrease) in the Fund during the year		235.8	3.7	2.4	0.6	242.5	135.5
Net assets of the Group							
At 1 April 2011		2,094.9	33.9	31.5	4.9	2,165.2	2,029.7
At 31 March 2012		2,330.7	37.6	33.9	5.5	2,407.7	2,165.2

The notes on pages 74 to 97 form part of these financial statements.

Net Assets Statement

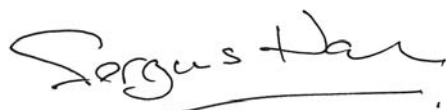
as at 31 March 2012

	Note	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Investments assets	11	2,325.2	37.5	33.7	5.5	2,401.9	2,181.1
Investment liabilities	11	(3.0)	-	-	-	(3.0)	(3.5)
Net investment assets		2,322.2	37.5	33.7	5.5	2,398.9	2,177.6
Current assets	14	8.8	0.5	0.2	-	9.5	7.6
Current liabilities	15	(0.3)	(0.4)	-	-	(0.7)	(20.0)
Total net assets at 31 March 2012		2,330.7	37.6	33.9	5.5	2,407.7	2,165.2

The financial statements summarise the transactions of the Group and deal with the net assets at the disposal of the Group Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Group, which does take account of such obligations, is dealt with in the Trustees' Report and Actuarial Certificate Statements included within this Annual Report on pages 36 to 66 and these Financial Statements should be read in conjunction with them.

The Financial Statements on pages 72 to 97 were approved by the Group Trustees on

Signed on behalf of the Group Trustees:



Trustee



Trustee

Notes to the financial statements

Year ended 31 March 2012

1. Basis of Preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (SORP) (revised May 2007).

2. Accounting Policies

The following principal accounting policies, which have been applied consistently, have been adopted in preparation of the financial statements.

Investments

Equities traded through the London Stock Exchange Electronic Trading Service (“SETS”) are valued on the basis of the bid price. Other quoted investments are valued on the basis of the bid price (or, if unavailable, the most recent transaction) on the relevant stock market.

Pooled investment vehicles are valued at the closing bid price if both bid and offer prices are published, or, if single priced, at the closing single price obtained by the Custodian.

Unquoted securities are valued by the fund managers at the year end in accordance with generally accepted guidelines. Unquoted equities are generally valued by the fund managers using the guidelines of the British Venture Capital Association.

Accrued interest is excluded from the market value of fixed-interest securities and index-linked securities, and is included in investment income receivable, i.e. fixed interest stocks are quoted ‘clean’.

Freehold and leasehold property (including development property) in the UK Property Sector of the Unitised Fund and the BEGG property portfolio, is stated at open market value at the year end. This is estimated using the Royal Institution of Chartered Surveyors (RICS) Valuation Standards by the Scheme Trustee on the basis of professional advice from DTZ Debenham Tie Leung, chartered surveyors appointed as independent property valuers to the Scheme Trustee. No depreciation is provided on freehold land and buildings or long lease properties. Purchases and sales of property are recognised in the Financial Statements on completion of contracts.

The Group Trustee's valuation of other property investments (whether held directly or through pooled funds) is based on professional advice from the relevant property managers whose valuations are in accordance with RICS valuation standards.

Forestry in the UK Forestry Sector of the Unitised Fund is valued on an open market basis at the year end by Smiths Gore, the appointed external forestry valuers to the Scheme Trustee.

Investment management fees are accounted for on an accruals basis. Acquisition costs are included in the purchase cost of investments. Transaction costs are reflected in sale proceeds. Acquisition and Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees.

Where stock lending has been undertaken, the securities 'loaned' have been included in the net assets statement to reflect the Group's continuing economic interest. The total amount of stock lent at the year end has been disclosed in a note to the financial statements together with a description of the related collateral received.

Insurance policies are included in the financial statements at a valuation undertaken by the insurer. Where they provide all the benefits payable to particular members of the Group, effectively discharging the Group Trustees' full liability towards such members, then these policies have been included in the financial statements at nil value.

Where insurance policies (pre-vesting and Scientists Schemes) are included in the financial statements and provide benefits payable to the Group, then these policies have been included in the financial statements at their actuarially assessed value.

Investment Income

Income from equities, and any pooled investment vehicles which distribute income, is accounted for on the date stocks are quoted ex-dividend/interest.

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, changes in market value also includes income, net of any withholding tax, which is reinvested in the fund.

Income from fixed interest, index-linked securities, cash and short term deposits is accounted for on an accruals basis.

Rental income is accounted for as earned under the terms of the relevant lease.

Derivatives

Derivative contracts are valued at fair value with assets shown at bid prices and liabilities at offer prices.

Derivative contracts' changes in fair value are included in change in market value where the economic rationale for the contracts relates to assets. Where the underlying economic rationale relates to income, the change in fair value is reflected in investment income.

Futures contracts are stated at fair value and using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market quoted price of the contract. A clearing broker is used by the Scheme to settle all futures contracts. Amounts due from the broker represent the initial margin (reflecting collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and any unrealised gains and losses on open futures contracts.

Exchange traded options are stated at fair value and are determined using the exchange price for closing out the option at the reporting date. For over the counter ("OTC") contract options, fair value is determined by the custodian using generally accepted pricing models such as Black Scholes, using inputs reflecting market data at the year end date.

Interest rate and currency swaps are stated at fair value and are calculated using pricing models based on the prevailing market price of comparable instruments at the year end date unless publicly traded in which case the market price is used. Interest is accrued monthly on a basis consistent with the terms of the swap. The amounts included in change in market value are the realised gains and losses on closed contracts and the unrealised gains and losses on open contracts. Net receipts or payments on swap contracts are either reported in change in market value (where the economic rationale relates to assets) or investment income (where the economic rationale relates to income).

Forward currency contracts are stated at fair value and are based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contracts were closed out with equal and opposite contracts.

Foreign Currencies

Assets and liabilities in foreign currencies are expressed in sterling at the relevant rates of exchange ruling at the year end.

Transactions denominated in foreign currencies are translated into sterling at the spot exchange rate prevailing at the date of the transaction.

Gains and losses arising on conversion or translation are shown within the change in market value of investments.

Pensions Contributions

Normal contributions, due from the members and Employers, are accounted for on an accruals basis in the month employee contributions are deducted from the payroll.

Supplementary contributions from Employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

Employers' deficit funding contributions are accounted for in accordance with the agreement under which they are being paid. In the absence of an agreement, they are accounted for on a receipt basis.

Additional voluntary contributions from members are accounted for, on an accruals basis, in the month deducted from the payroll.

Benefits

Members can take their benefits in accordance with the Rules of the Group. This is generally in the form of a pension and lump sum benefit and is accounted for on an accruals basis.

Transfers to and from the Scheme

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers, or payable to the pension scheme of new employers for members who have left the Scheme. They are accounted for on a cash basis or where the Group Trustees have agreed to accept liability in advance of receipt of funds on an accruals basis from the date of the agreement where the transfer can be determined with reasonable certainty.

Bulk transfers of members, where the Group Trustees have agreed to accept liability prior to receipt, are accounted for in accordance with the agreement between the Group Trustees and the Trustees of the other pension scheme.

Other expenses

Administrative expenses, premiums on term insurance policies and investment management expenses are accounted for on an accruals basis.

Annuities

Insurance policies specifically allocated to the provision of benefits for, and providing all benefits payable to, individual members of the Group, effectively discharge the Group Trustees' full liability towards such members. These policies are included in the financial statements at nil value. The purchase cost of annuities is charged to the Fund Account as benefits payable.

Income arising from annuity policies is included in investment income and the pensions paid included in pensions payments.

3. Contributions

	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Employers						
Normal	23.8	1.2	1.1	0.1	26.2	26.8
Deficit repair**	39.2	0.4	-	0.1	39.7	1.8
Augmentations (Early retirements)	3.7	-	-	-	3.7	3.7
Other						
- Supplementary pensions funding*	1.9	-	-	-	1.9	2.0
- Other	8.6	0.2	-	-	8.8	8.5
Members						
Normal	0.1	-	0.2	-	0.3	0.3
Additional voluntary contributions (AVCs)	2.9	-	-	0.1	3.0	3.2
	80.2	1.8	1.3	0.3	83.6	46.3

* Supplementary pensions funding represents Employer contributions to grant additional benefits on early retirement including Rule 32 payments (grant of special terms).

** Deficit repair contributions are being paid as a result of the funding deficit declared in the Actuarial Valuation of the Group as at 31 March 2007 and under the terms of the agreement between the Employers and the Group Trustees. Further deficit repair contributions are payable in future years under the Group's Schedule of Contributions. For the SLC section , 'Other Contributions' includes contributions paid by the Employer through the Salary Sacrifice arrangement.

4. Transfers in

	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Transfer values received from other pension arrangements:						
Individual transfers – Defined Benefits	0.9	-	-	-	0.9	3.3
Individual transfers – AVCs	-	0.1	-	-	0.1	-
Intra-Scheme transfers	-	-	-	-	-	0.4
	0.9	0.1	-	-	1.0	3.7

5. Other Income

	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Other income	-	-	-	-	-	0.1
	-	-	-	-	-	0.1

6. Benefits Payable

	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Pensions	81.3	0.3	-	-	81.6	77.0
Lump sum retirement benefits and commutations	12.2	0.2	0.4	-	12.8	13.3
Purchase of annuities (AVCs)	1.8	0.1	0.2	-	2.1	2.0
Lump sum death benefits (in service)	0.8	-	-	-	0.8	0.5
Lump sum death benefits (in retirement)	0.1	-	-	-	0.1	-
	96.2	0.6	0.6	-	97.4	92.8

7. Payments to and on Account of Leavers

	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Transfer values paid to other pension arrangements:						
Individual transfers – Defined Benefits	1.2	0.1	0.7	-	2.0	0.3
Purchase of annuities to match preserved benefits	0.2	-	-	-	0.2	-
Intra-Scheme transfers	0.3	-	-	-	0.3	0.5
	1.7	0.1	0.7	-	2.5	0.8

8. Other Payments

	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Other	-	-	-	-	-	0.3
	-	-	-	-	-	0.3

9. Administrative Expenses

All administrative and audit expenses of the Group incurred during the year to 31 March 2012, and not directly related to the investment management of the securities and property portfolios, were met by the Employers.

10. Investment Income

Segregated Investment Income

	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Dividends from equities	5.7	-	-	-	5.7	4.8
Income from fixed interest securities	8.6	-	-	-	8.6	3.6
Income from index-linked securities	4.1	-	-	-	4.1	0.4
Income from pooled investment vehicles	2.9	-	0.1	-	3.0	2.0
Interest on cash deposits	0.5	-	-	-	0.5	-
Other	4.9	-	-	-	4.9	0.4
Less:						
Irrecoverable withholding tax	(0.4)	-	-	-	(0.4)	(0.5)
Total investment income	26.3	-	0.1	-	26.4	10.7

Investment income relating to the Unitised Fund is reflected in the net change in market value for each Sector as shown in Note 12.

11. Investment assets and liabilities

	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Investment assets						
Equities	125.1	-	-	-	125.1	188.1
Fixed interest securities	162.7	-	-	-	162.7	147.0
Index-linked securities	247.3	-	-	-	247.3	30.2
Pooled investment vehicles	1,646.3	35.6	31.3	5.0	1,718.2	1,656.9
Derivatives	1.2	-	-	-	1.2	0.3
Unitised fund (see Note 12)	117.3	1.6	1.2	0.3	120.4	109.6
AVC investments	13.3	0.2	1.1	0.2	14.8	13.2
Cash deposits and other investment assets	12.0	0.1	0.1	-	12.2	35.8
Total investment assets	2,325.2	37.5	33.7	5.5	2,401.9	2,181.1
Investment liabilities						
Derivatives	-	-	-	-	-	(0.2)
Other investment liabilities	(3.0)	-	-	-	(3.0)	(3.3)
Total investment liabilities	(3.0)	-	-	-	(3.0)	(3.5)
Net investment assets	2,322.2	37.5	33.7	5.5	2,398.9	2,177.6

11. Investment assets and liabilities (continued)

Net investment assets SLC Section	Value at 1.4.2011	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Changes in market value	Value at 31.3.2012
	£ million	£ million	£ million	£ million	£ million
Equities	188.1	76.9	(133.5)	(6.4)	125.1
Fixed interest securities	147.0	96.5	(90.5)	9.7	162.7
Index-Linked securities	30.2	397.6	(204.2)	23.7	247.3
Pooled investment vehicles	1,591.2	267.8	(399.4)	186.7	1,646.3
Derivative contracts	0.1	1.8	(1.0)	0.3	1.2
Unitised Fund holdings (see Note 12)	106.7	-	(4.6)	15.2	117.3
AVC investments	11.7	2.9	(2.0)	0.7	13.3
	<u>2,075.0</u>	<u>843.5</u>	<u>(835.2)</u>	229.9	2,313.2
Cash deposits and other investment assets	35.8				12.0
Other investment liabilities	(3.3)				(3.0)
Net investment assets	2,107.5				2,322.2
Change in market value shown above				229.9	
Exchange gains/losses				(0.3)	
Change in market value per fund account				229.6	

Included within purchases and sales is £303.8 million (2011: £909.3 million) in respect of intra-portfolio transfers as a result of asset re-organisations during the year.

Transaction costs incurred during the year amounted to £0.5 million, (2011: £1.0 million). In addition to these transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles when units are purchased and sold.

During the fourth quarter of 2011, the SLC Section entered into a collateral switch arrangement with Barclays Capital whereby the Trustee agreed to loan £150m of index-linked gilts to provide liquid capital to Barclays in exchange for government-backed collateral. These arrangements were still in place as at 31 March 2012.

11. Investment assets and liabilities (continued)

Net investment assets Babcock Section	Value at 1.4.2011 £ million	Purchases at cost £ million	Sale proceeds £ million	Changes in market value £ million	Value at 31.3.2012 £ million
Pooled investment vehicles	32.0	1.3	(0.1)	2.4	35.6
Unitised Fund holdings (see Note 12)	1.5	-	-	0.1	1.6
AVC investments	0.2	0.1	(0.1)	-	0.2
	<u>33.7</u>	<u>1.4</u>	<u>(0.2)</u>	2.5	37.4
Cash deposits and other investment assets	-				0.1
Other investment liabilities	-				-
Net investment assets	33.7				37.5
Change in market value shown above				2.5	
Exchange gains/losses				-	
Change in market value per fund account				2.5	

Included within purchases and sales is £nil (2011: £2.6 million) in respect of intra-portfolio transfers as a result of asset re-organisations during the year.

There were no transaction costs incurred during the year (2011: £nil). In addition to these transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles when units are purchased and sold.

11. Investment assets and liabilities (continued)

Net investment assets Energy Solutions Section	Value at 1.4.2011 £ million	Purchases at cost £ million	Sale proceeds £ million	Changes in market value £ million	Value at 31.3.2012 £ million
Pooled investment vehicles	29.2	4.8	(4.8)	2.1	31.3
Unitised Fund holdings (see Note 12)	1.1	-	-	0.1	1.2
AVC investments	1.2	-	(0.2)	0.1	1.1
	<u>31.5</u>	<u>4.8</u>	<u>(5.0)</u>	<u>2.3</u>	33.6
Cash deposits and other investment assets	-				0.1
Other investment liabilities	-				-
Net investment assets	31.5				33.7
Change in market value shown above				2.3	
Exchange gains/losses				-	
Change in market value per fund account				2.3	

Included within purchases and sales is £1.0 million (2011: £3.5 million) in respect of intra-portfolio transfers as a result of asset re-organisations during the year.

There were no transaction costs incurred during the year (2011: £nil). In addition to these transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles when units are purchased and sold.

11. Investment assets and liabilities (continued)

Net investment assets NNL Section	Value at 1.4.2011	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Changes in market value	Value at 31.3.2012
	£ million	£ million	£ million	£ million	£ million
Pooled investment vehicles	4.5	0.6	(0.4)	0.3	5.0
Unitised Fund holdings (see Note 12)	0.3	-	-	-	0.3
AVCs	0.1	0.1	-	-	0.2
	4.9	0.7	(0.4)	0.3	5.5
Cash deposits and other investment assets	-				-
Other investment liabilities	-				-
Net investment assets	4.9				5.5
Change in market value shown above				0.3	
Exchange gains/losses				-	
Change in market value per fund account				0.3	

Included within purchases and sales is £0.3 million (2011: £0.1 million) in respect of intra-portfolio transfers as a result of asset re-organisations during the year.

There were no transaction costs incurred during the year (2011: £nil). In addition to these transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles when units are purchased and sold.

11. Investment assets and liabilities (continued)

	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Equities						
UK quoted	88.3	-	-	-	88.3	143.8
UK unquoted	0.2	-	-	-	0.2	-
Overseas quoted	36.6	-	-	-	36.6	44.3
	125.1	-	-	-	125.1	188.1
Fixed interest securities						
UK quoted – public sector	10.0	-	-	-	10.0	13.0
UK quoted – other	86.0	-	-	-	86.0	78.0
UK unquoted – other	1.7	-	-	-	1.7	-
Overseas quoted – public sector	3.6	-	-	-	3.6	2.2
Overseas quoted – other	60.4	-	-	-	60.4	53.8
Overseas unquoted – other	1.0	-	-	-	1.0	-
	162.7	-	-	-	162.7	147.0
Index-linked securities						
UK quoted – public sector	232.4	-	-	-	232.4	12.6
Overseas quoted – public sector	14.9	-	-	-	14.9	17.6
	247.3	-	-	-	247.3	30.2

11. Investment assets and liabilities (continued)

	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Pooled investment vehicles						
Managed funds						
UK – non property	1,223.7	31.0	29.0	5.0	1,288.7	895.3
Overseas quoted – property	2.5	-	-	-	2.5	-
Overseas – non property	420.1	4.6	2.3	-	427.0	761.6
	1,646.3	35.6	31.3	5.0	1,718.2	1,656.9

All fund managers operating the pooled investment vehicles are registered in the United Kingdom.

Unitised Fund

	117.3	1.6	1.2	0.3	120.4	109.6
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11. Investment assets and liabilities (continued)

Derivative contracts SLC Section	2012 Assets £million	2012 Liabilities £million	2011 Assets £million	2011 Liabilities £million
Forward foreign exchange contracts	1.2	-	0.3	(0.2)
	1.2	-	0.3	(0.2)
Net derivatives	1.2		0.1	

The economic rationale for holding derivatives is detailed in the investment report.

Forward foreign currency (OTC) SLC Section		Currency Bought £million	Currency Sold £million	2012 Assets £million	2012 Liabilities £million
UK OTC traded – less than 1 year	CCY	GBP	JPY	13.1	(12.0)
UK OTC traded – less than 1 year	JPY	0.7	GBP	(0.7)	-
UK OTC traded – less than 1 year	GBP	3.1	EUR	(3.1)	-
UK OTC traded – less than 1 year	EUR	1.1	GBP	(1.1)	-
UK OTC traded – less than 1 year	GBP	2.0	AUD	(1.9)	-
UK OTC traded – less than 1 year	GBP	1.1	USD	(1.1)	-
		21.1	(19.9)	1.2	-

The Group does have limited exposure due to the contracts above that show as £nil assets and liabilities, but due to the rounding to the nearest £0.1 million, these are shown as £nil in this report.

11. Investment assets and liabilities (continued)

Insurance Policies

The Group's investments for Pre-vesting policies have been valued at £8,540 (2011: £nil) and are not therefore material for these Accounts.

Additional Voluntary Contributions (AVCs)

Members can choose to top up their retirement benefits by paying Additional Voluntary Contributions (AVCs) to the AVC providers selected by EPTL or by Group Trustees. Contributing members may enquire about the Scheme's AVC arrangements and the various fund options available by contacting the Group Administrator of their Group.

The accumulated value of the AVCs, as determined by the AVC provider at the time the benefits are taken and subject to any adjustment, is applied upon the member's retirement or at any time up to age 75, or earlier death, to provide benefits to or in respect of the member. Additional benefits are provided by AVCs on a money purchase basis.

Members participating in AVC arrangements each receive an annual statement confirming the amounts held in their AVC account. Members paying AVCs also receive an annual Statutory Money Purchase Illustration which gives each member a projection of what their additional benefits might be arising from their AVCs based on actuarial assumptions and investment returns laid down by legislative requirements.

Each year the Scheme Trustee conducts a review of the Scheme's AVC providers and the fund options in conjunction with its investment adviser and notifies the Group Trustees of the conclusions of this review, including any change to the selected fund options.

11. Investment assets and liabilities (continued)

The number of AVC accounts (including "frozen" accounts) for the **SLC Section of the Magnox Electric Group** as at 31 March 2012 was 593 (2011: 557). In some cases members may have two or more accounts.

The aggregate amounts of AVC investments for the SLC Section of the Magnox Electric Group are as follows:

	2012 £ million	2011 £ million
Equitable Life Assurance Society	0.5	0.5
Prudential Assurance Society	12.8	11.2
	13.3	11.7

The number of AVC accounts (including "frozen" accounts) for the **Babcock Section of the Magnox Electric Group** as at 31 March 2012 was 8 (2011: 7).

The aggregate amounts of AVC investments for the Babcock Section of the Magnox Electric Group are as follows:

	2012 £ million	2011 £ million
Prudential Assurance Society	0.2	0.2

The number of AVC accounts (including "frozen" accounts) for the **Energy Solutions Section of the Magnox Electric Group** as at 31 March 2012 was 14 (2011: 16).

The aggregate amounts of AVC investments for the Energy Solutions Section of the Magnox Electric Group are as follows:

	2012 £ million	2011 £ million
Prudential Assurance Society	1.1	1.2

The number of AVC accounts (including "frozen" accounts) for the **NNL Section of the Magnox Electric Group** as at 31 March 2012 was 4 (2011: 4).

The aggregate amounts of AVC investments for the NNL Section of the Magnox Electric Group are as follows:

	2012 £ million	2011 £ million
Prudential Assurance Society	0.2	0.1

11. Investment assets and liabilities (continued)

	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Cash deposits and other investment assets						
Cash deposits	2.4	0.1	0.1	-	2.6	22.6
Accrued interest and dividends	4.3	-	-	-	4.3	4.6
Recoverable income tax	-	-	-	-	-	0.1
Other debtors and provisions	-	-	-	-	-	0.9
Amounts receivable from sale of investments	5.3	-	-	-	5.3	7.6
	12.0	0.1	0.1	-	12.2	35.8

	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Other investment liabilities						
Other creditors and provisions	(0.9)	-	-	-	(0.9)	(0.8)
Amount payable for the purchase of investments	(2.1)	-	-	-	(2.1)	(2.5)
	(3.0)	-	-	-	(3.0)	(3.3)

Employer related investments

At 31 March 2012 the Group had no assets invested in Magnox Electric Limited or its associated companies.

12. Movements in Unitised Fund Sectors

The interest in the Unitised Fund comprises the notional holdings of accumulation units in the Sectors of the Fund.

Summarised below are aggregate monetary movements in Sectors during the year to 31 March 2012 as well as unit values at the beginning of the year and at the end of the year.

SLC Section

Sectors	Summary of unit values	Market value at 1.4.2011	Units issued during year	Units redeemed during year	Changes in value including investment income and expenses	Market value at 31.3.2012
	£	£ million	£ million	£ million	£ million	£ million
UK Property		89.3	-	(4.0)	5.7	91.0
31 March 2011	5.05					
31 March 2012	5.37					
UK Forestry		17.4	-	(0.6)	9.5	26.3
31 March 2011	3.57					
31 March 2012	5.59					
Total		106.7	-	(4.6)	15.2	117.3

12. Movements in Unitised Fund Sectors (continued)

Babcock Section

Sectors	Summary of unit values	Market value at 1.4.2011	Units issued during year	Units redeemed during year	Changes in value including investment income and expenses	Market value at 31.3.2012
	£	£ million	£ million	£ million	£ million	£ million
UK Property		1.5	-	-	0.1	1.6
31 March 2011	5.05					
31 March 2012	5.37					
Total		1.5	-	-	0.1	1.6

Energy Solutions Section

Sectors	Summary of unit values	Market value at 1.4.2010	Units issued during year	Units redeemed during year	Changes in value including investment income and expenses	Market value at 31.3.2011
	£	£ million	£ million	£ million	£ million	£ million
UK Property		1.1	-	-	0.1	1.2
31 March 2011	5.05					
31 March 2012	5.37					
Total		1.1	-	-	0.1	1.2

12. Movements in Unitised Fund Sectors (continued)

NNL Section

Sectors	Summary of unit values	Market value at 1.4.2011	Units issued during year	Units redeemed during year	Changes in value including investment income and expenses	Market value at 31.3.2012
	£	£ million	£ million	£ million	£ million	£ million
UK Property		0.3	-	-	-	0.3
31 March 2011	5.05					
31 March 2012	5.37					
Total		0.3	-	-	-	0.3

13. Investment Management Fees

Investment management fees for Segregated Funds, performance measurement services and investment-related fees of Group advisers, are the responsibility of the Group Trustees. The Scheme Trustee negotiates the custody fees which apply to all portfolios. Investment management and custody fees for Segregated Funds are shown below. For the Unitised Fund these fees are reflected in the net change in market value for each Sector as shown in Note 12.

Investment management fees	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Administration and management fees	2.7	-	-	-	2.7	0.5
Other advisory fees	0.6	-	-	-	0.6	0.5
	3.3	-	-	-	3.3	1.0

14. Current Assets

	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Contributions due from Employers in respect of:						
Employers	5.0	-	-	-	5.0	4.4
Cash balances	3.8	0.5	0.2	-	4.5	3.2
	8.8	0.5	0.2	-	9.5	7.6

All contributions due to the Group at 31 March 2012 and 31 March 2011 relate to March 2012 and March 2011 respectively and were paid in full to the Group in accordance with the Schedule of Contributions.

15. Current Liabilities

	SLC Section	Babcock Section	ES Section	NNL Section	2012 £ million	2011 £ million
Benefits payable	(0.3)	-	-	-	(0.3)	-
Amounts due to Employer	-	(0.4)	-	-	(0.4)	(20.0)
	(0.3)	(0.4)	-	-	(0.7)	(20.0)

The Employer paid £20.0m into the Site Licence Section early on 30 March 2011 in respect to deficit repair contributions which are due by the Schedule of Contributions by 31 July 2011. These represented a prepayment at the year ended 31 March 2011.

16. Related party transactions

Other than those items disclosed elsewhere in these financial statements, there were no other related party transactions. Trustees fees payable are disclosed in the administration expenses note. The Group Trustees who receive pensions from the Scheme are identified in the list of Group Trustees shown on page 5.

17. Contingent liabilities and contractual commitments

In the opinion of the Trustees the Scheme had no contingent liabilities entered into which are not provided for in these Accounts.

18. Subsequent events

There were no subsequent events requiring disclosure in the financial statements.

GLOSSARY OF TERMS

Listed below are brief explanations of terms used within the Report & Financial Statements that may not be familiar to all members.

Pension glossary	
Bulk transfers	The transfer of a number of members from one occupational pension scheme to another or from one Group of the ESPS to another. Generally this will occur if there has been a merger, sale or purchase of a business and the new Employer wishes to amalgamate pension arrangements.
Commutation	The exchange of expected pension benefits for a cash lump sum.
Deficit repair payments	A single payment or a series of payments made by the Employer in order to make good the actuarial shortfall caused by projected pension liabilities being in excess of assets.
Discontinuance funding ratio	This shows the Actuary's estimate of the proportion which the value of the Group's assets represent of the costs of buying out the accrued benefits with an insurance company.
Money Purchase basis	The calculation of an individual member's benefits by reference to the value of the contributions paid into a pension scheme in respect of that member.
Rule 32 Payment	The payment of special contributions (whether in relation to benefits, contributions or otherwise) by the [Principal] Employer, without limitation, in respect of Back Service Credits and/or Added Years to or in respect of one or more individuals (excluding Enhanced Protection Members).
State Second Pension	Additional pension benefits purchased through National Insurance Contributions to enhance the Basic State Pension by those people not "Contracted Out" through membership of a private or company pension scheme. This was formerly known as the State Earnings Related Pension Scheme (SERPS) and was re-named from 6 April 2002.

State Graduated Pension Scheme	The State Graduated Pension Scheme which commenced on 3 April 1961 and terminated on 5 April 1975 being replaced by SERPS.
Supplementary pensions funding	Contributions made by Employers or members to provide additional or “top-up” pension benefits.
Transfer Values received	Transfers of monies from another pension scheme, so that a member can augment their pension benefits from the ESPS.
Investment glossary	
Derivative	<p>A derivative is a financial contract between two parties whose value is derived from an underlying asset’s price or an index based on asset prices. Underlying assets are typically equities, bonds, interest rates, exchange rates and stock market indices. The main types of derivatives used by pension schemes are:</p> <ul style="list-style-type: none"> - futures contracts - forward foreign exchange contracts - options - swaps <p>A derivative can be exchange traded or traded over the counter.</p>
Exchange traded	An exchange traded security is purchased or sold through a registered exchange (e.g. a stock exchange) which provides trading facilities.
Forward foreign currency contract (FFX)	A forward foreign exchange contract is an over the counter transaction whereby two parties agree to exchange two different currencies at an agreed rate of exchange on a specific date in the future.
Futures Contract	A contract which legally binds two parties to complete a sale or purchase of an asset at a specified future date and at a price which is fixed at the time the contract is agreed.

Initial Margin	Before entering into a futures contract, a deposit is required which is referred to as the initial margin. This deposit may be in the form of cash or other assets, such as securities. The margin is required to protect parties against possible losses arising from the futures contract.
IPD	Investment Property Databank is an independent organisation that collates and publishes information about performance of the commercial property sector. The IPD provides a benchmark against which the performance of property assets can be monitored.
LIBID	London Inter-Bank Bid Rate. This is the rate of interest at which banks are willing to pay to borrow from each other for a specified period – normally one day. The rate fluctuates dependent on the supply and demand of funds.
Managed Funds	A managed fund is an investment contract which offers participation in one or more funds operated on similar lines to unit trusts. The range of managed funds available includes gilts, index-linked securities, equities, cash deposits, property and mixed funds. Typically managed funds relate only to a unitised fund under a policy of assurance from a life assurance company.
Options	An option is a contract which give the purchaser the right, but not the obligation, to buy (call option) or sell (put option) a standard specified nominal amount of an asset at a specific date or range of dates in the future at a specified price. Options may be exchange traded or OTC.
Over the counter (OTC)	An over the counter (OTC) security is traded between two individual counterparties rather than on an exchange. There is no standardisation of contract specifications so the size of the contract, the settlement date and price are all negotiable.
Pooled investment vehicles	A fund in which several investors participate. The assets are not held directly in the name of individual clients but form part of a “pool”. Unit trusts are a common example of a pooled investment vehicle. Investors hold units in the pooled fund. The value of individual units is determined by the value of the underlying assets of the fund.

Segregated Funds	In the ESPS, investment portfolios which are specific to a particular Group and may be comprised of individual securities or take the form of a pooled investment vehicle.
Stock lending	The temporary transfer of securities by a lender to a borrower, with an agreement that the borrower will return equivalent securities to the lender either on a pre-agreed future date or on demand. In return the lender receives a fee for making the securities available to the borrower.
Swaps	A swap is an OTC transaction whereby the parties to the contract agree to exchange cash flows according to the terms agreed at the outset of the swap. The amount of the cash flows is generally determined by reference to an underlying asset, index, instrument or notional amount.
Unitised Fund	The Unitised Fund is a pooled investment vehicle that is only available to Groups within the ESPS and comprises three Sectors: UK Property, UK Forestry and Cash. More details are shown in Note 12 on pages 92 to 94.
Variation Margin	Amounts payable under futures contracts - to ensure that deposits/(margins) are maintained at contractually agreed levels as the value of the underlying asset changes.

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