

Registered No. 2970356

NDA PROPERTIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2018



Directors
D M Atkinson
M Glass
H McAtear

Secretary
E Hodgson

Auditors
Ernst & Young LLP
20 Chapel Street
Liverpool
L3 9AG

Bankers
National Westminster Bank Plc
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M60 2DB

Registered office
Herdus House
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Strategic report

Business model

NDA Properties Limited (“the Company”) is a wholly-owned subsidiary company of the Nuclear Decommissioning Authority (“NDA”). The core mission of NDA Properties Limited is to manage properties that are located outside the boundaries of nuclear licensed sites. In line with NDA’s Land and Property Management Strategy, these assets are selectively developed and their use optimised to benefit the NDA mission. NDA Properties Limited operates ‘arms-length’ commercial contracts with nuclear based customers including Low Level Waste Repository Limited and Sellafield Limited.

Review of the business

NDA Properties Limited owns and manages properties and provides property services to meet the requirements of the nuclear estate.

Business performance

The profit for the year, after taxation is £94,000 (2017 restated*: profit £4,812,000). The Directors do not recommend a final dividend (2017: £nil).

The business results relating to the current year are described below.

	2018 £000	2017(Restated)* £000	Change %
Revenue	16,598	34,330	-51.7
Operating loss	(336)	(118)	-184.7
Profit after tax	94	4,812	-98.0
Net return on revenue ¹	(2.0)%	(0.3)%	-488.9%

¹ Operating loss divided by revenue

* See note 2

The decrease in revenue to prior year £16,598,000 (2017: £34,330,000) reflects the completion of the construction project for the Training Centre by Morgan Sindall for use by the Civil Nuclear Constabulary near Sellafield, Cumbria. 2017 had a full year of income offset by the construction costs incurred, whereas construction was completed part way through the current year, on 14 December 2017.

As a result of the revaluation of the Company’s investment property portfolio, which includes downward pressure on agricultural land values, a loss of £763,000 has been recognised and recorded in the current year Income Statement (2017: £344,000 loss).

On consideration in the current year management has concluded that a deferred tax liability that arises on the revaluation of the investment properties needs to be recognised in accordance with IAS 12. This has resulted in a restatement of the prior year comparatives (see note 2).

Strategic report (continued)**Business performance (continued)**

The profit after taxation of £94,000 (2017 restated*: profit £4,812,000) reflects the loss on revaluations (£763,000), a loss on disposal (£30,000), offset by the release of the dilapidation lease provision for Southmoor House (£600,000) and a reduction in the deferred tax liability of £114,000.

On 29 March 2018 the National Nuclear Archive in Wick, Scotland, funded by a 25 year loan of £21,000,000 from another group entity, Rutherford Indemnity Limited, was sold to the parent, NDA, at its carrying value of £21,893,000.

The balance outstanding on the loan at the date of disposal was £20,031,000. The loan was also settled on 29 March 2018. The property was leased under a finance lease (note 12).

Key performance indicators

During the year the Company maintained a balanced set of cross-business key performance indicators (KPIs). These KPIs contain amongst others, Safety, Security, Environmental, Operational and Customer performance targets, which are benchmarked to ensure well above average performance against industry norms. Through structured management reviews the directors have satisfied themselves that a high level of performance has been achieved throughout the year.

Principal risks and uncertainties

The Company has an established risk process that is used to evaluate the key risks facing the company and to identify and implement the action required to mitigate these risks. Key risks and uncertainties facing the company can be broadly grouped as market, credit risk and financial risk.

The Company operates in the property sector, but its main customers are in the nuclear sector and include the parent and its subsidiaries. There is a balance of medium and long term contracts to reduce exposure to market risk.

The Company's maximum exposure to credit risk is the carrying value of the Company's financial assets as reported in the balance sheet. Trade and other receivables are mainly due from NDA, NDA subsidiaries and other nuclear estate customers and therefore the directors consider the risk of financial loss to be remote.

The Company's liquidity risk is managed via the working capital arrangements described in Note 10. Exposure to price and cash flow risks are immaterial to the results and affairs of the Company.

Strategic report (continued)

Principal risks and uncertainties (continued)

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

The Company does not have significant supplier or credit risks.



On behalf of the Board
H McAtear
Director
Date: 4 September 2018

Directors' report - Registered No. 2970356

The directors present their report, together with the audited financial statements of the Company, for the year ended 31 March 2018.

Principal activities and business review

The Company is a wholly owned subsidiary of the Nuclear Decommissioning Authority (NDA) that owns property which is let to the NDA, other NDA group companies, contractors to the NDA group and others.

The Company has been in contract with Morgan Sindall to construct a Training Centre for use by the Civil Nuclear Constabulary near Sellafield, Cumbria. The centre is owned by the parent, NDA and income was received from the parent to manage the build process. Construction completion was achieved on 14 December 2017 and hence the decrease in revenue from the prior year to £16,598,000 (2017: £34,330,000) reflects the reduction in construction costs, and consequently, income.

The Company completed construction of the National Nuclear Archive in Wick, Scotland in 2016/17. This was funded by a 25 year loan of £21,000,000 from another group entity, Rutherford Indemnity Limited. On 29 March 2018 the Company sold the property to the parent, NDA and the loan was settled on the same date.

As a result of revaluations of the company's investment property portfolio, a loss of £763,000 (2017: loss of £344,000) has been recognised and recorded in the current year Income Statement.

The Company has been included in the NDA tax group and the directors anticipate using group losses to offset taxable profits incurred in the future.

Results and dividends

The profit for the financial year end and total comprehensive income for the year amounted to £94,000 (2017 restated*: profit £4,812,000). The Balance Sheet illustrates closing shareholders' funds of £15,909,000 (2017 restated*: £15,815,000). The prior year comparatives reflect the conclusion that a deferred tax liability needs to be recognised in respect of the revaluation of the investment properties. The directors do not recommend payment of a final dividend (2017: £nil).

* See note 2

Directors

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

D M Atkinson

A M Oldham (resigned on 6 December 2017)

R Higgins (resigned on 1 October 2017)

M Glass

H McAtear (appointed on 23 April 2018)

Directors' report (continued)**Directors' statement as to disclosure of information to auditors**

The directors who were members of the board at the time of approving the Directors' report are listed above. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

Going concern

The directors have received confirmation from the company's parent undertaking, the NDA, that they will not seek repayment of the amounts due to the NDA, where no formal payment terms exist, within 12 months from the date of signing the 2018 accounts. A budget has been prepared, and sensitivities run. The directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Directors' and Officers' liability insurance

During the year the Company had in force indemnity insurance in favour of one or more directors of the Company subject to the conditions set out in section 236 of the Companies Act 2006 (2017: same).

Annual general meeting and auditors

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

Approved by the Board and signed on its behalf by:



H McAtear

Director

Date: 4 September 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing the financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NDA PROPERTIES LIMITED

Opinion

We have audited the financial statements of NDA Properties Limited for the year ended 31 March 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NDA PROPERTIES LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NDA PROPERTIES LIMITED (CONTINUED)

Responsibilities of directors

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

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

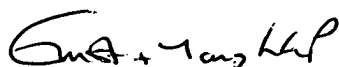
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Jennifer Hazlehurst (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Liverpool
4 September 2018

Income Statement
For the year ended 31 March 2018

		2018	Restated*
	Note	£'000	2017 £'000
Turnover	5	16,598	34,330
Costs		(16,254)	(33,482)
Movement in provisions	6	113	(622)
Fair value losses arising on revaluation of investment properties	7	(763)	(344)
Net operating expenses		(16,904)	(34,448)
Loss on disposal of investment property		(30)	-
Operating loss	8	(336)	(118)
Finance income	9	2,001	1,157
Finance lease expense	10	-	(1,186)
Interest payable and similar charges	10	(1,685)	(1,582)
Loss on ordinary activities before tax		(20)	(1,729)
Tax	11	114	6,541
Profit on ordinary activities after tax for the year		94	4,812

All amounts derive from continuing operations (2017: same).

* See note 2

Statement of Comprehensive Income
For the year ended 31 March 2018

There are no recognised gains or losses other than the results shown in the Income Statement for the year ended 31 March 2018 or for the year ended 31 March 2017.

Accordingly no separate Statement of Comprehensive Income has been prepared.

Balance Sheet

As at 31 March 2018

		2018	Restated*	Restated*
	Note	£'000	2017 £'000	2016 £'000
Fixed assets				
Investment property	7	19,290	21,366	56,665
Finance lease receivable	12	22,318	44,540	-
		41,608	65,906	56,665
Current assets				
Debtors	13	3,296	7,714	5,839
Cash at bank and in hand	14	24,957	24,921	34,357
		28,253	32,635	40,196
Assets classified as held for sale	7	1,397	139	-
		29,650	32,774	40,196
Current liabilities				
Creditors: amounts falling due within one year	15	(10,151)	(15,695)	(22,300)
Net current assets		19,499	17,079	17,896
Total assets less current liabilities				
		61,107	82,985	74,561
Creditors: amounts falling due after more than one year	15	(40,318)	(61,180)	(51,137)
Provisions for liabilities and charges	6	(1,601)	(2,358)	(2,221)
Deferred tax liability	11	(3,279)	(3,632)	(10,200)
Net assets		15,909	15,815	11,003
Capital and reserves				
Share capital	16	-	-	-
Profit and loss account		15,909	15,815	11,003
Total shareholders' funds		15,909	15,815	11,003

* See note 2

The financial statements were approved by the Board of directors and authorised for issue on 4 September 2018 and were signed on its behalf by:



H McAtear
Director

Company registration number: 2970356

Statement of Changes in Equity
As at 31 March 2018

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2016	-	21,203	21,203
Prior year adjustment (see note 2)	-	(10,200)	(10,200)
Balance at 1 April 2016 restated*	-	11,003	11,003
Profit and total comprehensive income for the year restated*	-	4,812	4,812
Balance at 31 March 2017 restated*	-	15,815	15,815
Profit and total comprehensive income for the year	-	94	94
Balance at 31 March 2018	-	15,909	15,909

The balance classified as share capital includes the total net proceeds on issue of the Company's share capital, comprising £1 ordinary shares.

* See note 2

Notes to the financial statements

Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of NDA Properties Limited for the year ended 31 March 2018 were authorised for issue by the Board of directors on 4 September 2018 and the Balance Sheet was signed on the Board's behalf by H McAtear.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards.

1. General information

The Company is a limited company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 6.

The immediate parent undertaking is the Nuclear Decommissioning Authority (NDA). The consolidated financial statements of the NDA are available to the public and may be obtained from its headquarters at Herdus House, Moor Row, Cumbria CA24 3HU. In the directors' opinion, the Company's ultimate controlling party is Her Majesty's Government.

These financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

2. Statement of accounting policies

Basis of preparation

These financial statements have been prepared under the historical cost convention, modified to include the revaluation of investment property. These statements have been prepared in accordance with Financial Reporting Statement 101, 'Reduced Disclosure Framework'.

As permitted by FRS 101, for both periods presented, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the following:

- a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- b) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of IAS 40 Investment Property (paragraphs 76 and 79(d));
- c) the requirements of paragraphs 134-136 of IAS 1 'Presentation of Financial Statements';
- d) the requirements of IAS 7 'Statement of Cash Flows';
- e) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Estimate and Errors'; and
- f) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures' and the requirement of the same standard to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Notes to the financial statements (continued)

2. Statement of accounting policies (continued)

Basis of preparation (continued)

Where required, equivalent disclosures are given in the group accounts of the Nuclear Decommissioning Authority (NDA), which are available to the public and can be obtained as set out in Note 1 above.

Going concern

The directors have received confirmation from the company's parent undertaking, the NDA, that they will not seek repayment of the amounts due to the NDA, where no formal payment terms exist, within 12 months from the date of signing the 2018 accounts. A budget has been prepared, and sensitivities run. The directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Prior Year Adjustment

When NDA Properties Limited first adopted IFRS for the year ending 31 March 2010 no deferred tax liability was recognised in relation to investment property revaluation on the basis of expected future group relief to be received from Nuclear Decommissioning Authority ('NDA') which would offset the tax implications of a chargeable gain.

On further consideration of the requirements of IAS 12 "Income Taxes" NDA Properties Limited have concluded that a deferred tax liability ('DTL') on the revaluation of investment properties is required to be recognised. Management still consider at the appropriate point in time when tax becomes payable as a result of later disposals of investment properties that sufficient group relief will be receivable, however, in line with IAS 12, no corresponding asset has been able to be recognised until such time that tax becomes payable.

IAS 8 requires retrospective restatement following the identification of a material error. Below we have summarised the impact of this restatement on the balance sheet for the years presented being 31 March 2016 & 31 March 2017 and Income Statement for the comparative presented 31 March 2017. This includes the recognition of DTL and corresponding impact on retained earnings from a balance sheet perspective and the impact on the tax line within the Income Statement:

Year ended 31 March	Non-current DTL Recognition Balance Sheet (£'000)	Current DTL Recognition Balance Sheet (£'000)	Retained Earnings restated (£'000)	Tax credit in the Income Statement (£'000)
2016	10,200	-	11,003	-
2017	3,632	27	15,815	6,541

The retained earnings restatement at 31 March 2016 includes the cumulative impact of retrospective restatement from 31 March 2010 up to and including 31 March 2016.

Notes to the financial statements (continued)

2. Statement of accounting policies (continued)

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous year with the exception of deferred tax as noted above.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for property rentals in the UK provided in the normal course of business, net of value added tax. Property rental income from property leased out under operating leases is recognised in the Income Statement on a straight-line basis over the lease term. Service charge income from property leased out under operating leases is recognised in the Income Statement on a straight-line basis over the financial year.

Revenue is also received when the company acts as project manager for a design and build and for projects where the Company acts as Principal, revenue and expenditure are recognised separately in the Income Statement in the period that they relate to.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Rentals payable under operating leases, including lease incentives, are charged to the Income Statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

The Company as lessor

Properties deemed to be leased out under finance leases are transferred from investment properties and accounted for as finance lease receivables. Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Operating profit

Operating profit is stated after charging operating expenses, loss on disposal of investment property, movement in value of investment property, charge by parent for services provided, auditor's remuneration and movement in onerous lease provision but before interest payable and similar charges.

Notes to the financial statements (continued)

2. Statement of accounting policies (continued)

Taxation

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

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exception:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the Income Statement.

Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Income Statement in the period in which they arise.

Investment properties are derecognised when either they have been disposed of, deemed to be rented out under a finance lease or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property, is recognised in the Income Statement in the period of derecognition.

Notes to the financial statements (continued)

2. Statement of accounting policies (continued)

Assets held for sale

Investment properties are classified as assets held for sale on the Balance Sheet if, following a review by the directors, the following conditions are met:

- Management is committed to a plan to sell
- The asset is available for immediate sale
- An active programme to locate a buyer is initiated
- The sale is highly probable, within 12 months of classification as held for sale
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- Actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn

Non-current assets or disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Borrowing costs

In respect of assets recognised at cost, borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. In respect of assets recognised at fair value, borrowing costs are not capitalised and are expensed in the period they occur. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

There are no derivative financial instruments in use.

Financial assets

Financial assets are classified as either financial assets 'at fair value through profit or loss' (FVTPL) or loans and receivables. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Notes to the financial statements (continued)

2. Statement of accounting policies (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. Book value of the assets is fair value. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future or it is a derivative that is not designated and effective as a hedging instrument. A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Debtors and other receivables, and cash and cash equivalents, that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' (FVTPL) or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

Other financial liabilities

Other financial liabilities, including creditors and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled or they expire.

Notes to the financial statements (continued)

2. Statement of accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following judgements have had the most significant effect on amounts recognised in the Financial Statements.

Finance v Operating Leases

When accounting for properties that are leased out, it is necessary for the directors to make an assessment on whether a lease is an operating or finance lease. Key influencing factors considered include the lease term, value of the lease payments, and if there is any specialist nature of the property. This assessment is reviewed periodically to ensure correct treatment.

Assets held for sale

Directors are required to determine if they consider an asset which is expected to be disposed of to be classified as an investment property or asset held for sale. This judgement is determined using the criteria outlined within in note 2. The key uncertainty is the likelihood that the sale of the property will complete within 12 months of the reporting date.

Notes to the financial statements (continued)

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

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

Investment properties

The fair value of investment properties in the Balance Sheet represents an estimate by independent professional valuers of the open market value of those properties as at 31 March 2018.

In assessing the open market value of investment properties, the professional valuers will consider lettings, tenants' profiles, future revenue streams, capital values of both fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property in the context of the local market. Data regarding local market conditions is primarily historic in nature and provides a guide as to current letting values and yields.

Provisions

The onerous lease provision is inherently judgemental as it is based on estimates of future rent, rates and other servicing costs payable under operating leases relating to 1100, Daresbury Park. Similarly, judgement is required in determining the level of dilapidation provision required, based on future discussions with landlords.

4. Employee information

As a wholly owned subsidiary of the NDA whose principal activity is to own properties which are used mainly by other NDA group companies and contractors to the NDA, all employee costs are borne by the NDA and a reasonable estimate is recharged for services provided. As such, the Company had no employees during the year (2017: nil).

Directors' emoluments

All directors are employees of the NDA and their emoluments are borne by the NDA. In both the current and prior year, in the Board's view, the services provided by the directors to the Company are incidental to their employment by and services to the NDA.

A management charge of £298,000 (2017: £374,000) in respect of management services costs has been made by the NDA. This includes the directors' remuneration which it is not possible to identify separately (2017: same).

Notes to the financial statements (continued)

5. Turnover

Turnover recognised in the income statement is analysed as follows:

	2018 £'000	2017 £'000
Rental and other associated property income	5,939	6,736
Project management fees	10,659	27,594
	<u>16,598</u>	<u>34,330</u>

The Project management fees have reduced during 2017/18 following the construction completion of the project for the Training Centre by Morgan Sindall for use by the Civil Nuclear Constabulary near Sellafield, Cumbria on 14 December 2017. This revenue is fully offset by the costs incurred.

Deferred revenue

	2018 £'000	2017 £'000
At 1 April	8,887	15,680
Deferred during the year	9,886	23,056
Released to the Income Statement	(12,615)	(29,849)
At 31 March (note 15)	<u>6,158</u>	<u>8,887</u>

Deferred revenue refers to payments in advance received from the parent in relation to the CNC Training Facility, Off-Site Control Facility and Nuclear Technology Innovation Gateway projects as well as rental income invoiced in advance.

Notes to the financial statements (continued)

6. Provisions for liabilities and charges

	Onerous lease provisions £'000	Dilapidation & repair provisions £'000	Total £'000
At 31 March 2016	1,621	600	2,221
Utilisation	(502)	-	(502)
Arising during the year	302	320	622
Unwinding of discount	17	-	17
At 31 March 2017	1,438	920	2,358
Utilisation	(665)	-	(665)
Arising during the year	167	320	487
Released	-	(600)	(600)
Unwinding of discount (Note 10)	21	-	21
At 31 March 2018	961	640	1,601
Analysed as:			
Current	805	-	805
Non-current	156	640	796
	961	640	1,601

The lease of 1100, Daresbury Park is onerous so the full future loss is provided for. This provision is released to the Income Statement to match expenditure as it is incurred.

The directors intend to exercise the break point in the lease of 1100, Daresbury Park in 2019. Consequently a dilapidations provision has been built up following a report from the Landlord estimating the costs involved to return the property back to its original state at the end of the lease. The pay-out is expected to occur in 2019/20 and is subject to further discussions with the Landlord.

When the lease on Southmoor House was terminated, the property was returned to the Landlord. A provision had been created to cover the estimated costs of returning the property back to its original state. However, the Landlord has since sold the property on, it has been demolished and therefore no dilapidation repairs have been required. Consequently the dilapidation provision has been released.

Notes to the financial statements (continued)

6. Provisions for liabilities and charges (continued)

Provisions arising during the year can be broken down to an increase in onerous lease provision for Daresbury Park (£167,000), an increase in dilapidation provision for Daresbury Park (£320,000) and the release of dilapidation provision for Southmoor House (£600,000).

In the current year, the onerous lease provision has been discounted at (2.42)% per annum (2017: (2.70)% per annum, 2016: (1.55)% per annum) based on Treasury guidance. Whilst acknowledging that Treasury guidance is not binding for this company, the directors have concluded that the guidance is relevant and have applied it accordingly.

7. Investment property

	Assets under construction £'000	Land £'000	Buildings £'000	Total £'000
Fair value				
At 31 March 2016	10,000	8,545	38,120	56,665
Additions	12,587	-	-	12,587
Disposals	-	(3)	-	(3)
(Decrease)/increase in fair value in the year	(387)	(73)	116	(344)
Reclassification	(22,200)	-	22,200	-
Derecognition following completion (A)	-	-	(22,200)	(22,200)
Derecognition following completion (B)	-	-	(25,200)	(25,200)
Transfer to asset held for sale	-	(4)	(135)	(139)
At 31 March 2017	-	8,465	12,901	21,366
Additions	-	-	-	-
Disposals	-	(55)	-	(55)
Decrease in fair value in the year	-	(322)	(441)	(763)
Transfer to asset held for sale	-	(113)	(1,145)	(1,258)
At 31 March 2018	-	7,975	11,315	19,290

The fair value of the Company's investment property at 31 March 2018 has been arrived at on the basis of a valuation carried out at that date by independent qualified valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors in the United Kingdom Valuation Standards by GVA Grimley Limited Chartered Surveyors, acting as external valuers. They have valued the subject properties as at 31 March 2018, on the basis of Market Value as defined by the RICS Valuation Standards and have adopted the normal assumptions required to arrive at their opinion of value.

Notes to the financial statements (continued)

7. Investment property (continued)

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.

The difference between the carrying value of investment properties and their historical cost is a reduction of £12,201,000 (2017: £11,522,000, 2016: £3,738,000).

(A) The Company completed construction of the National Nuclear Archive in Wick, Scotland. Following completion of the property, it was initially leased to NDA under a 30 year lease. Having assessed the various influencing factors, the directors concluded that this represented a finance lease and transferred the property from investment properties to a finance lease receivable accordingly.

(B) As a result of Sellafield Ltd joining the NDA group on 1 April 2016, the directors reassessed the accounting policies and key judgements to ensure consistency across the NDA group. This process identified that the treatment of the lease on Albion Square was not consistent. The directors reassessed the various influencing factors and concluded that the lease should be reclassified from an operating lease to a finance lease. As a result of this reclassification the property was transferred from investment properties to being accounted for as a finance lease receivable.

The property rental and service charge income earned by the Company from its investment property, all of which is leased out under operating leases, amounted to £5,939,000 (2017: £6,736,000). Direct operating expenses arising on the investment properties in the period amounted to £4,843,000 (2017: £5,264,000).

As a result of the revaluation of the company's investment property portfolio, which includes downward pressure on agricultural land values, a loss of £763,000 has been recognised and recorded in the current year Income Statement (2017: £344,000 loss).

Assets classified as held for sale

In line with NDA's Corporate Asset Management Plan and overall strategy to divest itself of all non-operational property by 2022, 11 properties (2017: 5 properties) with a combined value of £1,397,000 (2017: £139,000, 2016: £nil) have been identified as being available for disposal. The corresponding DTL on these properties of £266,000 (2017: £27,000, 2016: £Nil) has been presented within note 15. Instruction to commence marketing the properties has been given to GVA Grimley Limited and all disposals are expected to complete in 2018/19.

Notes to the financial statements (continued)

8. Operating loss

Operating loss is stated after charging/(crediting):

	2018 £'000	2017 £'000
Auditors' remuneration in respect of the statutory audit of the Company	32	24
Decrease in fair value of investment property	763	344
Loss on disposal of investment property	30	-
Charge for services provided by NDA	298	374
Increase in onerous lease provision for Daresbury Park (note 6)	167	302
Release of dilapidation provision for Southmoor House (note 6)	(600)	-
Increase in dilapidation provision for Daresbury Park (note 6)	320	320
Operating lease payments	819	795

Tax compliance services of £2,850 (2017: £2,850) were provided to the entity during the current financial year. These costs were borne by the parent entity Nuclear Decommissioning Authority ('NDA') and are not recharged.

9. Interest receivable and similar income

	2018 £'000	2017 £'000
Finance lease income	2,001	1,157

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

Notes to the financial statements (continued)

10. Interest payable and similar charges

	2018 £'000	2017 £'000
Interest on NDA group loan	643	664
Interest on Rutherford Indemnity loan	1,021	901
Total interest expense	1,664	1,565
Unwinding of discount on provisions (Note 6)	21	17
Total interest payable and similar costs	1,685	1,582

NDA group loan

In February 2013, the NDA advanced a loan to the company for the purposes of financing capital projects. The loan amounted to £20,000,000 which is repayable with interest in equal annual instalments of £1,227,000 over twenty five years. The interest on this loan is recognised in the Income Statement as it is incurred. The interest rate applicable is 3.6% per annum.

Other group entity loan

In June 2015, a loan agreement for £21,000,000 was signed for the purposes of financing the National Nuclear Archive capital build project. The loan was repayable with interest in equal annual instalments of £1,476,000 over twenty five years. The interest on this loan was recognised in the Income Statement as it was incurred. The interest rate applicable was 5.0% per annum. This loan was settled on 29 March 2018 when the carrying value was £20,031,000.

	2018 £'000	2017 £'000
Finance lease expense	-	1,186

Finance lease expense

A one-off finance lease expense was recorded in the previous year having arisen following a change in judgement in relation to the accounting treatment of the Albion Square lease.

Notes to the financial statements (continued)

11. Taxation

(a) *Tax charged in the Income Statement:*

	2018 £'000	Restated* 2017 £'000
<i>Current income tax:</i>		
Current income tax charge	-	-
Total current tax	-	-
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	(114)	(6,541)
Total deferred tax	(114)	(6,541)
Total tax credit in the Income Statement	(114)	(6,541)

* See note 2

(b) *Reconciliation of the total tax charge:*

The tax expense in the Income Statement for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 20%). The difference is explained below:

	2018 £'000	Restated* 2017 £'000
Loss on ordinary activities before tax	(20)	(1,729)
Tax calculated at UK standard rate of 19% (2017: 20%)	(4)	(346)
Effects of:		
Expenses not deductible for tax purposes	339	391
Provision utilised not taxable	(95)	(40)
Dilapidation provision not taxable	(53)	64
Rate change adjustment	42	491
Reduction in deferred tax due to reclassification ¹	-	(6,962)
Group relief received for nil payment	(343)	(139)
Total tax credit	(114)	(6,541)

* See note 2

¹ See note 7

Notes to the financial statements (continued)

11. Taxation (continued)

(c) *Change in corporation rate*

In the current year, the NDA surrendered Group relief to the Company which resulted in a nil current tax charge. The directors expect that further losses will be made available to the Company by the NDA in future periods. However, if Group relief was not made available to the Company in subsequent periods, the following would apply:

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17%. The reductions in future rates to 17% have been used in the calculation of the deferred tax liability.

(d) *Deferred tax liability*

	2018	Restated*	Restated*
	£'000	2017	2016
		£'000	£'000
Revaluation of investment properties – current (see note 15)	266	27	-
Revaluation of investment properties – non-current	3,279	3,632	10,200
	<u>3,545</u>	<u>3,659</u>	<u>10,200</u>

* See note 2

Management consider, at the appropriate point in time when tax becomes payable as a result of later disposals of investment properties, that sufficient group relief will be received from Nuclear Decommissioning Authority ('NDA') to fully offset the tax charge, however in line with IAS 12 no corresponding asset has been able to be recognised.

12. Finance lease receivables

The Company as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. The lease payments made by the lessees are split into an interest component and a principal component using the interest rate implicit in the lease. The lease receivable is reduced by the principal received. The interest component is recognised as finance income in the Income Statement.

The company has a finance leasing arrangement for one of its properties, having disposed of the other property leased under a finance lease on 29 March 2018 (National Nuclear Archive). The term remaining on this finance lease is 27 years. The residual value of the asset leased under a finance lease at the balance sheet date is estimated to be £nil.

Notes to the financial statements (continued)

12. Finance lease receivables (continued)

The Company as lessor (continued)

The interest rate inherent in the lease is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates 3.0% per annum.

The table below shows how the amount of the net investment in a finance lease is determined:

	Minimum lease payments	
	2018	2017
	£'000	£'000
Gross investment	33,224	81,032
Less: unearned finance income	(10,324)	(35,645)
Present value of minimum lease payments receivable	22,900	45,387
Analysed as:		
Current (note 13)	582	847
Non-current	22,318	44,540
	22,900	45,387

For transparency, the comparative figures for 2017 with the National Nuclear Archive removed are:

	Minimum lease payments	
	2018	2017
	£'000	£'000
Gross investment	33,224	34,495
Less: unearned finance income	(10,324)	(11,030)
Present value of minimum lease payments receivable	22,900	23,465

Notes to the financial statements (continued)

12. Finance lease receivables (continued)

The Company as lessor (continued)

The table below represents the gross investment amounts and the present value of payable minimum lease payments:

	Gross investment £'000	2018 Present value of minimum lease payments £'000	Gross investment £'000	2017 Present value of minimum lease payments £'000
Not later than one year	1,271	582	2,846	847
Later than one year and not later than five years	5,084	2,516	11,384	3,748
Later than five years	26,869	19,802	66,802	40,792
Present value of minimum lease payments receivable	33,224	22,900	81,032	45,387

13. Debtors

	2018 £'000	2017 £'000	2016 £'000
Intercompany debtors	2,024	4,641	433
Trade debtors	264	722	3,306
Prepayments	337	642	1,436
Finance lease receivable (note 12)	582	847	-
VAT recoverable	89	862	664
	3,296	7,714	5,839

Debtors are reported at book value which is deemed to be fair value (2017 and 2016: same).

14. Cash at bank and in hand

	2018 £'000	2017 £'000	2016 £'000
Cash and cash equivalents	24,957	24,921	34,357

Cash and cash equivalents represents balances held in NDA Properties Limited own name and in a client bank account managed on the company's behalf by GVA Grimley Limited.

Notes to the financial statements (continued)

15. Creditors

	2018	Restated*	Restated*
	£'000	2017	2016
		£'000	£'000
<i>Amounts falling due within one year:</i>			
Amounts owed to parent undertaking – group loan	1,227	1,227	1,227
Amounts owed to parent undertaking – other	287	-	-
Amounts owed to other group entity – loan	-	1,270	1,352
Amounts owed to other group entity – other	446	-	-
Trade creditors	385	3,900	1,509
Income tax payable	-	85	29
Accruals	1,382	299	2,503
Deferred tax liability (see note 11d)	266	27	-
	3,993	6,808	6,620
Deferred revenue (note 5)	6,158	8,887	15,680
	10,151	15,695	22,300

* See note 2

Deferred revenue refers to payments received in advance from the parent in relation to the CNC Training Centre, Off-Site Control Centre and Nuclear Technology Innovation Gateway projects as well as rental income invoiced in advance.

Creditors are reported at book value which is deemed to be fair value (2017 and 2016: same).

	2018	2017	2016
	£'000	£'000	£'000
<i>Amounts falling due after one year:</i>			
Amounts owed to parent undertaking (excluding group loan)	24,267	24,549	24,675
Amounts owed to parent undertaking – group loan	16,051	16,634	17,198
Amounts owed to other group entity – loan	-	19,214	9,264
Accruals	-	783	-
	40,318	61,180	51,137

Notes to the financial statements (continued)

15. Creditors (continued)

Amounts owed to parent undertaking (excluding group loan) have been classified as falling due after one year as the Company has received confirmation from its parent that it will not seek recovery of these amounts within 12 months from the date of signing the 2018 accounts.

The loan from the parent undertaking is repayable in annual instalments of £1,227,000 and attracts interest at a fixed rate of 3.6% per annum.

The loan from the other group entity was repayable in annual instalments of £1,476,000 and attracted interest at a fixed rate of 5% per annum. This loan was settled on 29 March 2018 for £20,031,000.

16. Share capital

	Number	£'000
Authorised:		
Ordinary shares of £1 each		
At 31 March 2016 and 31 March 2017 and 31 March 2018	50,000,000	50,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each		
At 31 March 2016 and 31 March 2017 and 31 March 2018	1	-

17. Operating lease arrangements

The Company as lessee

The Company has entered into commercial leases on certain properties. There are no restrictions placed upon the lessee by entering into these leases.

At the reporting date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £'000	2017 £'000	2016 £'000
Not later than one year	801	802	661
Later than one year and not later than five years	624	1,284	1,741
Later than five years	3,049	3,191	3,333
	<u>4,474</u>	<u>5,277</u>	<u>5,735</u>

Notes to the financial statements (continued)

17. Operating lease arrangements (continued)

The Company as lessor

The company holds certain properties and land which are let to third parties.

At the reporting date the Company had contracted with tenants for the following future minimum lease payments:

	2018 £'000	2017 £'000	2016 £'000
Not later than one year	501	587	4,530
Later than one year and not later than five years	1,036	1,134	6,859
Later than five years	8,738	8,488	38,819
	<u>10,275</u>	<u>10,209</u>	<u>50,208</u>

18. Capital commitments

There are no capital commitments contracted but not provided for in the financial statements as at 31 March 2018 (2017: £9,659,000, 2016: £nil).

19. Ultimate parent undertaking and controlling party

The company's immediate and ultimate parent undertaking is the Nuclear Decommissioning Authority.

The smallest and largest publicly available group financial statements containing those of the Company are those of Nuclear Decommissioning Authority.

Copies of these financial statements are available from Herdus House, Ingwell Drive, Westlakes Science & Technology Park, Moor Row, Cumbria CA24 3HU.

20. Events after the period end

None identified.