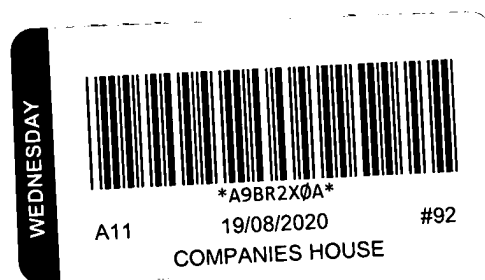


Registered No. 2970356

## **NDA PROPERTIES LIMITED**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 March 2020



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**Company Information**

**Directors**

M Glass  
H McAtear  
A Smithers

**Secretary**

C S Reid

**Auditor**

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

**Bankers**

National Westminster Bank Plc  
PO Box 305  
Spring Gardens  
Manchester  
M60 2DB

**Registered office**

Herdus House  
Ingwell Drive  
Westlakes Science & Technology Park  
Moor Row  
Cumbria  
CA24 3HU

## 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. The property portfolio has increased during the year following the purchase of Herdus House and Banna Court, properties already occupied by the nuclear estate.

### Business performance

The profit for the year, after taxation is £6,318,000 (2019: profit £1,357,000). The Directors do not recommend a final dividend (2019: £nil). The business results relating to the current year are described below.

	2020 £000	2019 £000	Change %
Revenue	8,111	8,999	-10%
Operating profit	6,181	1,309	372%
Profit after tax	6,318	1,357	366%
Net return on revenue <sup>1</sup>	76%	15%	40%

<sup>1</sup> Operating profit divided by revenue

The increase in operating profit is primarily due to:-

- higher spend in 2018/19 when there was £1.2m spent on landlord essential works;
- remeasurement of lease receivable in 2019/20 of £3.2m due to Albion Square rent review; and
- reduced costs in 2019/20 of £350k as a result of the early surrender of the lease on 1100 Daresbury Park.

As a result of the revaluation of the Company’s investment property portfolio a fair value gain of £791,000 has been recognised and recorded in the current year Income Statement (2019: £111,000 gain).

Cash reserves have reduced by £7.4m during the year, mainly as a result of acquiring 2 new properties. Investment property has increased by £8.1m due to the 2 acquisitions and an overall increase in the remaining property valuations.

## Strategic report (continued)

Finance lease receivable has increased by £2.5m due to a rent review resulting in a rent increase and the subsequent recalculation of the finance lease receivable for the remaining finance lease term.

### 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.

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: 12 August 2020

## **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 2020.

### **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.

As a result of revaluations of the Company's investment property portfolio, a fair value gain of £791,000 (2019: gain of £111,000) 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 £6,318,000 (2019: profit £1,357,000). The Balance Sheet illustrates closing shareholders' funds of £23,584,000 (2019: £17,266,000). The directors do not recommend payment of a final dividend (2019: £nil).

### **Directors**

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

D M Atkinson (Resigned 30 November 2019)

M Glass

H McAtear

A Smithers

### **Directors' statement as to disclosure of information to auditor**

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 auditor, 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 auditor in connection with preparing their report) of which the Company's auditor is 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 auditor is 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.

**Directors' report (continued)****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 2020 accounts. A budget has been prepared, and sensitivities applied and analysed. 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.

**COVID 19**

During these unprecedented times NDA Properties have continued to operate. Services continue to be provided by the NDA Group and the supply chain. As a result of the coronavirus, COVID 19, outbreak the NDA Group is to comply with the Procurement Policy Note (PPN) 02/2020. The PPN sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the outbreak.

**Brexit Impact**

The future relationship between the EU and the UK will be determined by negotiations taking place during the transition period ending 31 December 2020. The Directors consider that there is no foreseeable material impact on the Company's operations or supply chain as a result of Brexit.

**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 (2019: same).

**Annual general meeting and auditor**

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 auditor on an annual basis.

**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 International Reporting Standards. 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.

## **Directors' report (continued)**

### **Statement of directors' responsibilities (continued)**

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.

Approved by the Board and signed on its behalf by:



H McAtear  
Director

Date: 12 August 2020



**Independent auditor report to the members of 31 March 2020****Opinion**

We have audited the financial statements of NDA Properties Limited (the 'Company') for the year ended 31 March 2020 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 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 responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

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

**Independent auditor report to the members of 31 March 2020 (continued)****Other information**

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

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

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

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

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

**Independent auditor report to the members of 31 March 2020 (continued)****Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on pages 7 & 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 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 report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**Use of the audit report**

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor 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.



Charlene Lancaster (Aug 12, 2020 20:55 GMT+1)

Charlene Lancaster

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

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

Date: 12 August 2020

## Income Statement

For the year ended 31 March 2020

	<i>Note</i>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Turnover</b>	5	<b>8,111</b>	8,999
Costs		<b>(5,889)</b>	(7,987)
Movement in provisions	6	-	186
Fair value gains arising on revaluation of investment properties	7	<b>791</b>	111
Remeasurement of lease receivable	12	<b>3,168</b>	-
<b>Operating profit</b>	8	<b>6,181</b>	1,309
Finance income	9	<b>723</b>	688
Interest payable and similar charges	10	<b>(600)</b>	(622)
<b>Profit on ordinary activities before tax</b>		<b>6,304</b>	1,375
Tax	11	<b>14</b>	(18)
<b>Profit on ordinary activities after tax for the year</b>		<b>6,318</b>	1,357

All amounts derive from continuing operations (2019: same).

The notes on pages 15 to 33 form part of the financial statements.

## Statement of Comprehensive Income

For the year ended 31 March 2020

There are no recognised gains or losses other than the results shown in the Income Statement for the year ended 31 March 2020 or for the year ended 31 March 2019.

Accordingly no separate Statement of Comprehensive Income has been prepared.

## Balance Sheet

Company registration number: 2970356

As at 31 March 2020

	Note	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Investment property	7	27,579	19,438
Finance lease receivable	12	24,148	21,717
		<u>51,727</u>	<u>41,155</u>
<b>Current assets</b>			
Debtors	13	2,638	2,175
Cash at bank and in hand	14	17,895	25,311
		<u>20,533</u>	<u>27,486</u>
Assets classified as held for sale	7	845	1,360
		<u>21,378</u>	<u>28,846</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	15	(7,026)	(9,741)
<b>Net current assets</b>		<u>14,352</u>	<u>19,105</u>
<b>Total assets less current liabilities</b>		<u>66,079</u>	<u>60,260</u>
Creditors: amounts falling due after more than one year	15	(39,107)	(39,689)
Deferred tax liability	11	(3,388)	(3,305)
<b>Net assets</b>		<u>23,584</u>	<u>17,266</u>
<b>Capital and reserves</b>			
Share capital	16	-	-
Profit and loss account		23,584	17,266
<b>Total shareholders' funds</b>		<u>23,584</u>	<u>17,266</u>

The notes on pages 15 to 33 form part of the financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 12 August 2020 and were signed on its behalf by:

*H McAtear*

H McAtear  
Director

Company registration number: 2970356

**Statement of Changes in Equity**  
**As at 31 March 2020**

	Share capital £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 April 2018</b>	-	15,909	15,909
Profit and total comprehensive income for the year	-	1,357	1,357
<b>Balance at 31 March 2019</b>	-	17,266	17,266
Profit and total comprehensive income for the year	-	6,318	6,318
<b>Balance at 31 March 2020</b>	-	<b>23,584</b>	<b>23,584</b>

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

The notes on pages 15 to 33 form part of the financial statements.

## Notes to the financial statements

### 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*

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

These financial statements have been prepared under the historical cost convention, modified to include the revaluation of investment property. These financial statements have been prepared in accordance with the Companies Act 2006 and FRS 101. 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 IFRS7 Financial Instruments: Disclosures;
- b) the requirements of IAS7 Statement of Cash Flows;
- c) the requirements of IAS24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which a party to the transaction is wholly owned by such a member;
- d) the requirements of IAS24 Related Party Disclosures to disclose the costs of the Key Management Personnel of the Company;
- e) the requirements of IAS8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose details of new IFRS's which have been issued but are not yet effective or have not yet been applied;
- f) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS1 Presentation of Financial Statements; and
- g) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS15 Revenue from Contracts with Customers.

## **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 2020 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.

#### ***Changes in accounting policy and disclosures***

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of financial position.

The Company adopted IFRS 16 using the modified retrospective (ii) method of transition, with the date of initial application of 1 April 2019. Prior year figures were not adjusted. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 April 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 at the date of initial application.

A review was performed on all existing operating leases and none were identified that were within the scope of IFRS16, hence there has been no material impact as a result of changes to this policy.

All other accounting policies adopted are consistent with those of the previous year.

#### ***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 over the time that they relate to.



## Notes to the financial statements (continued)

### 2. Statement of accounting policies (continued)

#### *The Company as lessor*

On transition to IFRS 16, no adjustments are required for leases in which the Company acts as a lessor, except for sub-leases. All leases have been accounted for in accordance with IFRS 16 from the date of initial application. 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 remuneration and movement in onerous lease provision but before interest payable and similar charges.

#### *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.

## **Notes to the financial statements (continued)**

### **2. Statement of accounting policies (continued)**

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.

#### ***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.

## Notes to the financial statements (continued)

### 2. Statement of accounting policies (continued)

#### *Financial assets*

Financial assets are classified as either financial assets 'at fair value through profit or loss' (FVTPL) or amortised cost. 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.

#### *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.

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 amortised cost. This class of assets 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.

#### *The Company as lessee – IFRS16*

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

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

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease.

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

## **Notes to the financial statements (continued)**

### **2. Statement of accounting policies (continued)**

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate as dictated by HM Treasury. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest.

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

#### ***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.

#### ***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.

## **Notes to the financial statements (continued)**

### **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.

#### ***Determining whether a lease exists***

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

#### ***Lessor Finance v Operating Lease***

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, identification of a Right of Use Asset if appropriate, 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.

#### ***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.

## Notes to the financial statements (continued)

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

#### *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 2020. 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.

The 31 March 2020 valuation was carried out and issued prior to the updated RICS issued guidance (April 2020) on material uncertainty (COVID-19). The professional valuer considers the Company's portfolio to be low risk. A substantial proportion of the properties by value are properties occupied by the NDA with rental agreements in place. There is also limited to no evidence of deterioration in land and agricultural land values as a result of COVID-19, in fact in a post COVID-19, BREXIT world the demand may in fact increase. Therefore in summary, there is not considered to be a material uncertainty in the valuation at the year end.

#### *Provisions*

The onerous lease provision related to 1100, Daresbury Park is no longer required as the break point of the lease was exercised during the financial year ending 31 March 2020. For other properties, judgement is required in determining the level of dilapidation provision required, based on future discussions with landlords. No provision for onerous leases considered to be required for 2019/20.

The expected credit loss on trade and other receivables has been assessed as at the reporting date as follows:

- Amounts owed by UK government departments £622,000 (2019: £900,000 restated) are considered to have no expected credit loss.
- Amounts owed by entities in the NDA estate subsidiaries and site licence companies £133,000 (2019: £114,000 restated) are considered to have no expected credit loss
- Amounts owed by all other entities £239,000 (2019: £198,000 restated) have been subject to an assessment based on the probability of default

In the previous 3 financial years the Company has not incurred any credit loss on trade receivables and there are no planned debt write-offs in 2020/21. No forward looking information indicates that the Company's expected credit loss will increase. The provision for expected credit loss has therefore been assessed as £nil.

## Notes to the financial statements (continued)

### 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 (2019: 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 £285,000 (2019: £280,000) 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 (2019: same).

### 5. Turnover

Turnover recognised in the income statement is analysed as follows:

	2020 £'000	2019 £'000
Rental and other associated property income	6,179 <sup>1</sup>	6,788
Project management fees	1,932	2,211
	<u>8,111</u>	<u>8,999</u>

#### *Deferred revenue*

	2020 £'000	2019 £'000
At 1 April	5,922	6,158
Advanced payments received during year	2,013	3,861
Released to the Income Statement	(3,623)	(4,097)
At 31 March (note 15)	<u>4,312</u>	<u>5,922</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

	<b>Onerous lease provisions £'000</b>	<b>Dilapidation &amp; repair provisions £'000</b>	<b>Total £'000</b>
At 31 March 2018	961	640	1,601
Utilisation	(805)	(610)	(1,415)
Arising during the year	(156)	(30)	(186)
At 31 March 2019	-	-	-
At 31 March 2020	-	-	-

The lease of 1100, Daresbury Park was onerous so the full future loss was provided for. This provision was fully released to the Income Statement in 2018/19 as the lease was been surrendered back to the Landlord.

The directors exercised the break point in the lease of 1100, Daresbury Park in 2019. Consequently a dilapidations provision was 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 occurred in 2018/19 and the dilapidations provision was fully released to the Income Statement.



## Notes to the financial statements (continued)

### 7. Investment property

	Assets under construction £'000	Land £'000	Buildings £'000	Total £'000
<b>Fair value</b>				
<b>At 31 March 2018</b>		7,975	11,315	19,290
Increase in fair value in the year	-	-	111	111
Transfer to asset held for sale	-	107	(70)	37
<b>At 31 March 2019</b>	-	8,082	11,356	19,438
Additions	-	-	7,649	7,649
Disposals	-	-	(815)	(815)
Increase in fair value in the year	-	216	575	791
Transfer from asset held for sale	-	-	516	516
<b>At 31 March 2020</b>	-	8,298	19,281	27,579

The fair value of the Company's investment property at 31 March 2020 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 Avison Young Limited Chartered Surveyors, acting as external valuers. They have valued the subject properties as at 31 March 2020, 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. The 31 March 2020 valuation was carried out and issued prior to the updated RICS issued guidance (mid April) on material uncertainty (COVID-19). The professional valuer considers this to be a low risk portfolio. A substantial proportion of the properties by value are properties occupied by the NDA with rental agreements in place. There is also limited to no evidence of deterioration in land and agricultural land values as a result of COVID-19, in fact in a post COVID-19, BREXIT world the demand may in fact increase. Therefore in summary, there is not considered to be a material uncertainty in the valuation at the year end.

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 £7,032,000 (2019: £12,321,000, 2018: £12,201,000).

## Notes to the financial statements (continued)

### 7. Investment property (continued)

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 £6,140,000 (2019: £6,572,000). Direct operating expenses arising on the investment properties in the period amounted to £2,803,000 (2019: £5,367,000).

As a result of the revaluation of the Company's investment property portfolio a profit of £791,000 has been recognised and recorded in the current year Income Statement (2019: £111,000 profit).

#### *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, 6 properties (2019: 7 properties, 2018: 11 properties) with a combined value of £845,000 (2019: £1,360,000) have been identified as being available for disposal. The corresponding deferred tax liability on these properties of £161,000 (2019: £258,000) has been presented within note 15. Instruction to commence marketing the properties has been given to Avison Young Limited and all disposals are expected to complete in 2020/21.

### 8. Operating profit

Operating profit is stated after charging/(crediting):

	2020 £'000	2019 £'000
Auditor remuneration in respect of the statutory audit of the Company	22	21
(Increase) in fair value of investment property	(791)	(111)
Charge for services provided by NDA	285	280
(Decrease) in onerous lease provision for Daresbury Park (note 6)	-	(156)
Release of dilapidation provision for Daresbury Park (note 6)	-	(640)
Dilapidation costs and surrender premium for Daresbury Park	-	788
Operating lease payments (note 17)	144	786

Tax compliance services 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.

## Notes to the financial statements (continued)

### 9. Interest receivable and similar income

	2020	2019
	£'000	£'000
Finance lease income	723	688

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.

### 10. Interest payable and similar charges

	2020	2019
	£'000	£'000
Interest on NDA group loan	600	622

#### *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.

## Notes to the financial statements (continued)

### 11. Taxation

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

	2020 £'000	2019 £'000
<b><i>Current income tax:</i></b>		
Current income tax charge	-	-
Total current tax	-	-
<b><i>Deferred tax:</i></b>		
Origination and reversal of temporary differences	(14)	18
Total deferred tax	(14)	18
Total deferred tax (credit)/charge in the Income Statement	(14)	18

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

The tax expense in the Income Statement for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The difference is explained below:

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	6,304	1,375
Tax calculated at UK standard rate of 19% (2019: 19%)	1,198	261
<b><i>Effects of:</i></b>		
Expenses not deductible for tax purposes	114	118
Onerous lease provision released not taxable	-	(182)
Dilapidation provision released not taxable	-	(122)
Capital gains tax on disposal of fixed asset	155	-
Group relief received for nil payment	(1,481)	(57)
Total deferred tax (credit)/charge	(14)	18

## 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% were used in 2018/19 in the calculation of the deferred tax liability. Legislation will be introduced in the Finance Bill 2019-21 to amend the main rate of Corporation Tax for all non-ring fence profits to 19% for financial year 2020. The Corporation Tax charge and the main rate will also be set at 19% for all non-ring fence profits for financial year 2021. Therefore 19% has been used to calculate the deferred tax liability 2019/20.

#### (d) *Deferred tax liability*

	2020	2019
	£'000	£'000
Revaluation of investment properties – current (see note 15)	161	258
Revaluation of investment properties – non-current	3,388	3,305
	<b>3,549</b>	<b>3,563</b>

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. The term remaining on this finance lease is 25 years. The residual value of the asset leased under a finance lease at the balance sheet date is estimated to be £nil.

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.

## Notes to the financial statements (continued)

### 12. Finance lease receivables (continued)

#### *The Company as lessor (continued)*

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

	<b>Minimum lease payments</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Gross investment	<b>35,054</b>	31,953
Less: unearned finance income	<b>(10,209)</b>	(9,636)
Present value of minimum lease payments receivable	<b>24,845</b>	22,317
Analysed as:		
Current (note 13)	<b>697</b>	600
Non-current	<b>24,148</b>	21,717
	<b>24,845</b>	22,317

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

		2020		2019
		Present		Present
		value of		value of
		minimum		minimum
	Gross	lease	Gross	lease
	investment	payments	investment	payments
	£'000	£'000	£'000	£'000
Not later than one year	1,436	697	1,271	600
Later than one year and not later than five years	5,743	3,010	5,084	2,593
Later than five years	27,875	21,138	25,598	19,124
Present value of minimum lease payments receivable	35,054	24,845	31,953	22,317

During 2019/20 there was a rent review on Albion Square, resulting in a remeasurement of the finance lease. The rent increased causing the remaining finance lease receivable to increase in value by £3,168,520.

## Notes to the financial statements (continued)

### 13. Debtors

	2020 £'000	2019 £'000
Intercompany debtors	622	930
Trade debtors	372	282
Prepayments	915	89
Finance lease receivable (note 12)	697	600
VAT recoverable	32	274
	<b>2,638</b>	<b>2,175</b>

Debtors are reported at book value which is deemed to be fair value (2019: same).

### 14. Cash at bank and in hand

	2020 £'000	2019 £'000
Cash and cash equivalents	17,895	25,311

Cash and cash equivalents represent balances held in NDA Properties Limited own name and in a client bank account managed on the Company's behalf by Avison Young Limited.

### 15. Creditors

	2020 £'000	2019 £'000
<i>Amounts falling due within one year:</i>		
Amounts owed to parent undertaking – group loan	1,227	1,227
Trade creditors	845	973
Accruals	481	1,361
Deferred tax liability (see note 11d)	161	258
	<b>2,714</b>	<b>3,819</b>
Deferred revenue (note 5)	4,312	5,922
	<b>7,026</b>	<b>9,741</b>

## Notes to the financial statements (continued)

### 15. Creditors (continued)

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 (2019: same).

	2020 £'000	2019 £'000
<i>Amounts falling due after one year:</i>		
Amounts owed to parent undertaking (excluding group loan)	24,287	24,243
Amounts owed to parent undertaking – group loan	14,820	15,446
	<b>39,107</b>	<b>39,689</b>

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 2020 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.

### 16. Share capital

	Number	£'000
Authorised:		
Ordinary shares of £1 each		
At 31 March 2019 and 31 March 2020	50,000,000	50,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each		
At 31 March 2019 and 31 March 2020	1	-



## Notes to the financial statements (continued)

### 17. Operating lease arrangements

At the reporting date the Company had no outstanding commitments for future minimum lease payments under non-cancellable operating leases, due to reclassification during the year under IFRS 16. Commitments for the prior year were as follows:

	2020 £'000	2019 £'000
Not later than one year	-	142
Later than one year and not later than five years	-	569
Later than five years	-	2,906
Agreements assessed as not containing a lease under IFRS16	3,617	-
	-	3,617

#### *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:

	2020 £'000	2019 £'000
Not later than one year	715	530
Later than one year and not later than five years	1,433	1,462
Later than five years	7,783	8,637
	9,931	10,629

### 18. 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.

### 19. Events after the period end

None identified.