Cavendish Fluor Partnership Limited

Annual Report and Financial Statements

For the year ended 31 March 2018

Registered number 08980374

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Strategic report

The Directors present their Strategic report on the consolidated accounts of Cavendish Fluor Partnership Limited for the year ended 31 March 2018.

Principal activities

The Group comprises Cavendish Fluor Partnership Limited ("the Company") and its wholly owned subsidiaries Magnox Limited and Research Sites Restoration Limited (collectively "the Group"). The Company's principal activity is to act as the Parent Body Organisation (PBO) of Magnox Limited. Magnox Limited operates under contract to the Nuclear Decommissioning Authority (NDA) providing services in relation to the defueling and decommissioning of non-generating sites. Cavendish Fluor Partnership Limited is jointly owned by Cavendish Nuclear Limited (65%) and Fluor Enterprises, Inc. (35%). Fluor Enterprises, Inc. is incorporated in the Unites States of America.

Review of the business

	2018 £000	2017 £000
Turnover	608,979	530,977
Profit for the financial year	39,295	21,698

The programme delivery structure, together with implementation of delivery strategies, has continued to support strong progress on decommissioning activities throughout the year.

During the reporting year strong progress was seen across all the Magnox sites:

- The construction of encapsulation plants commenced at Hinkley and Berkeley, whilst strong progress was made on construction of the interim storage facilities at Harwell, Hinkley and Chapelcross – all key enablers of our strategies;
- At Bradwell, FED (fuel element debris) dissolution operations were completed, a significant step on the journey to the site entering Care and Maintenance in late 2018;
- The project to remove the heat exchangers from the Chapelcross reactors was completed in the year, a significant change to the skyline;
- At Dungeness, the pond drains commenced following the successful deployment of divers which accelerated the pond deplant and skip removal;
- At Harwell the 10,000th can was processed at the B462 facility during the year, whilst the final demolition of the liquid effluent treatment plant facility was completed;
- At Oldbury, low level waste (LLW) skip retrievals from the pond were completed in June 2017;
- At Sizewell diving operations enabled the accelerated size reduction of all 35 intermediate level waste (ILW) skips, whilst the administration block was also successfully demolished – another demonstrable sign of decommissioning progress;
- At Trawsfynedd encapsulation of FED commenced following the successful active commissioning of the North Fuel Element Debris (NFED) plant;
- At Winfrith following extensive trials and modelling, the Dragon team deployed a laser snake that successfully, remotely cut through the Purge Gas Pre Cooler, separating it from the reactor pressure vessel;
- At Wylfa, the site achieved the milestone of being 50% defueled in December, despite continuing technical challenges which are expected to extend the timescales for defuelling. In addition, active commissioning was successfully completed to allow skip retrieval from the Dry Storage Cell 4 – another significant milestone for the site.

Strategic report *(continued)*

Review of the business *(continued)*

Following the mutual termination of the Magnox decommissioning contract announced in March 2017, contract arrangements to the termination date of August 2019 were agreed in August 2017. Magnox is successfully working to the revised commercial arrangements. The future operating model beyond August 2019 is pending final agreement by the NDA.

The Board together with its employees, trade unions, and contractors, continue to strive to deliver excellent customer service to the NDA whilst ensuring the highest standards of safety, security and environmental performance.

Financial review

The Group's revenue for the year was £608,979,000 (2017: £530,977,000). Profit before taxation was £47,289,000 (2017: £28,297,000). The Group's profit for the financial year was £39,295,000 (2017: £21,698,000). The increased profitability has been driven by increased confidence in the likely outturn profitability on the Magnox contract.

Principal risks and uncertainties

The principal risks and uncertainties of the Group emanate from the ownership of Magnox Limited. In the unlikely event that the NDA were no longer able to provide the funding for Magnox Limited to continue its decommissioning programmes, the NDA would be required to purchase the shares in Magnox Limited for a nominal sum, and provide compensation to Cavendish Fluor Partnership Limited in accordance with the Parent Body Agreement.

The Group's operational risks relate to sites, and primarily include environmental, health and safety, and IT/power failures, though these are heightened at our fuelled sites. Environmental and social effects are always considered. Documented procedures and risk assessments exist to manage risks across the business, including those concerning health and safety. Disaster recovery procedures exist which would be implemented in the event of power and IT outages.

Information security risks are effectively managed across the business and individual locations with both internal and external assessments completed. Continuous improvement is required to maintain pace in the response to threats and provide the required education to key staff managing information assets in all forms.

Financial risk management

Due to the manner in which the Group operates, substantially all risks and rewards from operating activities, except the fee income, are borne by the NDA. Fee is earned by meeting delivery milestones and performance based incentives (PBIs) as defined and agreed with the NDA under the SLCA contract and its operating performance in comparison to the target cost.

The costs incurred by Magnox Limited are reimbursed by the NDA and, therefore, the Group does not have significant exposure to price, credit, liquidity or cash flow risk albeit these will have an impact on the fee earned under the contract. Uncertainty about the future operating model for Magnox Limited beyond August 2019 is not seen as a significant risk at this time.

Strategic report *(continued)*

Environment, Health, Safety, Security and Quality (EHSS&Q)

Overall Performance

The Group's personal injury statistics have continued showing a small improving trend over the past year and the overall EHSS&Q performance remains broadly comparable with other companies in the sector.

Nuclear Safety

The Group has not had any significant nuclear safety incidents. The dose to workers from radiation remains at a low level and the nuclear safety metrics have shown good performance throughout the year. Defueling of the reactors at Wylfa is making progress with plans in place to address any technical challenges.

Conventional Safety

The Total Recordable Injury Rate (TRIR) has reduced to 0.26 (2017: 0.32) and Days Away Case Rate (DACR) stands at 0.19 (2017: 0.19). The Group has a Safety Improvement Plan to deliver our aim of continual improvement of our safety performance. For 2017/18 focus areas included safety leadership, safety culture and Mental Health and Wellbeing. Major asbestos clean-up projects continue at several sites, and the Group have applied for an ancillary license for our operations in the decommissioning of the Steam Generating Heavy Water (SGHW) Reactor at our Winfrith site. The management of asbestos will continue to be a priority in 2018/19 and beyond.

Environmental Management

The Group has not had any incidents that caused demonstrable environmental harm, and good progress in reducing the stock of legacy waste at the sites as part of the Company Safety Improvement Plan for 2017/18.

Health

The level of sickness absence showed a slight upward trend during 2017/18 to around 7 days per employee, mostly due to an increase in long term medical/ health problems. Whilst this figure is higher than in the past, it remains low against sector comparators. The focus on health and wellbeing continues to be a focus of our improvement plans going forwards.

Security

We have continued to implement robust security arrangements across all the Magnox sites during the year. We have focussed on a number of strategic priorities; including our security arrangements at our first site due to enter Care & Maintenance during 2018.

Quality

The Group has successfully re-certified its operations against the latest 2015 ISO 9001 and ISO 14001 standards this year. We have also maintained our certification to the existing ISO18001 standard.

Strategic report *(continued)*

Modern Slavery and Human Trafficking Statement

The Group is committed to integrity in all aspects of its business and operations and provides all its products and services in compliance with legal requirements, and to high standards of corporate responsibility.

The Group works with the supply chain to ensure operation from a shared set of values and develop business relationships based on honesty, fairness and mutual trust.

The Board recognises modern slavery, servitude, human trafficking and forced labour as both a crime and a violation of fundamental human rights. They are committed to implementing and enforcing effective systems and controls to ensure that these practices are not taking place anywhere within the business, or in our supply chain.

To this end, during the last financial year the Group Executive has:

- Continued with a Modern Slavery and Human Trafficking policy which was adopted by the Board during 2016/17;
- Worked with our parent companies to ensure that we have benefitted from their experience in controlling this issue;
- Continually monitored our standard contract conditions to help ensure that our supply chain is clear about our expectations in this area;
- Continually reviewed our recruitment and employment process to ensure that all staff have a right to work in the UK and are not being forced to work against their will;
- Maintained our whistleblowing policy and process that ensures that any staff having concerns are able to freely report their concerns without fear of reprisal; and
- Ensured that our procurement staff are aware of the need to ensure that our supply chain meet our stringent requirements and employ similar controls and that they have;
  - Taken steps to eradicate modern slavery and human trafficking in their operations
  - Hold their own suppliers to account; and
  - Pay their employees and contractors at least the national living wage

Over the coming year the Group will measure the effectiveness of processes with the aim of ensuring that there are no substantiated reports of modern slavery or human trafficking in either our business, or the supply chain.

Future developments

The Group continues to operate in line with the SLCA arrangements. As stated previously, the existing Magnox decommissioning contract will finish at the end of August 2019. The future contracting model beyond this date is to be finalised by the NDA. There are no other future developments outside those noted above.

On behalf of the Board

KJ Garvey
Director
24 August 2018

Directors' report

The Directors present their report and the audited financial statements of the Group for the year ended 31 March 2018.

Results and dividends

The Group's profit for the financial year amounted to £39,295,000 *(2017: £21,698,000)*. The Company declared and paid dividends of £370,717 per share in aggregate totalling £37,071,651 *(2017: £134,337 per share in aggregate totalling £13,433,684)* during the year.

Directors

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

SC Bowen
KM Douglas (appointed 8 February 2018)
JA Dowell
KJ Garvey
S Jee (appointed 31 August 2017)
JG Meyer
A Spurr
PT Behan (resigned 1 November 2017)
RC Gray (resigned 31 August 2017)
DJ Shah (resigned 31 August 2017)
KR Thomas (resigned 8 February 2018)

Qualifying third party indemnity provision

Under the Articles of Association the Directors of Cavendish Fluor Partnership Limited are, and were during the year ended 31 March 2018, entitled to be indemnified by Cavendish Fluor Partnership Limited against liabilities and costs incurred in connection with the execution of their duties, or the exercise of their powers, to the extent permitted by the Companies Act 2006.

Research and development

Magnox Limited works with the NDA, and other Site Licence Companies in the NDA's knowledge management network learning across the NDA estate, to improve decommissioning and to identify opportunities for joint working. Research and development work is embedded within projects and is focused on supporting decommissioning and hazard reduction.

Going concern

Due to the manner in which Group's main subsidiary (Magnox Limited) operates, with assurance provided by the obligations of the NDA under the SLCA contract, the Directors can be confident in the assessment of the Group as a going concern - in particular in the Group's ability to meet all its current liabilities.

Directors' report *(continued)*

Going Concern (continued)

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Employees

The Group does not discriminate on the grounds of age, sex, race, religious or philosophical belief, sexual orientation, gender re-assignment, marriage or civil partnership, pregnancy, maternity, trade union membership or disability. Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees and their representatives occurs at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the relevant company within the Group. Communication with all employees continues through in-house newsletters, briefing groups and the distribution of the annual report.

Retirement benefits

Under the SLCA contract, the risks and rewards of pension fund performance rest with the NDA, rather than the Group. As a result, the Group has decided to account for the defined benefit section of both the ESPS (Electricity Supply Pension Scheme) and the Combined Nuclear Pension Plan (CNPP) as though they were defined contribution schemes.

Political and charitable donations

During the year the Group made charitable donations of £713,000 (2017: £720,000) to local charities and good causes serving the communities in which the Group operates. These were funded by the NDA. The Group made no contributions to political parties (2017: £nil).

Disclosure of information to the auditor

Each Director, as at the date of this report, has confirmed that insofar as each of them are aware there is no relevant audit information of which the Company's auditors are unaware, and each of them have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any 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 Section 418 of the Companies Act 2006.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed.

Future developments and Financial risk management

Statements on future developments and financial risk management are to be found in the Strategic report (pages 1 to 4).

Directors' report *(continued)*

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each Director in office at the date the Directors' report is approved:

- So far as the Director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

On behalf of the Board

KJ Garvey
Director
24 August 2018

Independent auditors' report to the members of Cavendish Fluor Partnership Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cavendish Fluor Partnership Limited's group financial statements and company financial statements (the "financial statements"):

- Give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2018 and of the group's profit and cash flows for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Group and Company balance sheets as at 31 March 2018; the Group profit and loss account, the Group cash flow statement, and the Group and Company statements of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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 group's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Independent auditors' report to the members of Cavendish Fluor Partnership Limited *(continued)*

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of Cavendish Fluor Partnership Limited *(continued)*

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- The company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

N A Campbell Lambert

Nicholas Campbell-Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 August 2018

Group profit and loss account
for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Revenue	4	**608,979**	530,977
Cost of sales		**(561,696)**	(502,723)
Operating profit	5	**47,283**	28,254
Other interest receivable and similar income	8	**6**	43
Profit before taxation		**47,289**	28,297
Tax on profit	9	**(7,994)**	(6,599)
Profit for the financial year		**39,295**	21,698
Other comprehensive income		**-**	-
Total comprehensive income for the year		**39,295**	21,698

All amounts derive from continuing operations.

The notes on pages 15 to 27 are an integral part of these financial statements.

Group and Company balance sheets
at 31 March 2018

	Note	2018 Group £000	2018 Company £000	2017 Group £000	2017 Company £000
Fixed assets					
Investments	10	-	-	-	-
Current assets					
Debtors: amounts falling due within one year	11	**146,085**	**60**	125,878	135
Debtors: amounts falling due after one year	12	**325**	**-**	10,239	-
Cash at bank and in hand		**9,560**	**54**	8,175	33
Creditors: amounts falling due within one year	13	**(126,677)**	**(20)**	(110,858)	(99)
Net current assets		**29,293**	**94**	33,434	69
Total assets less current liabilities		**29,293**	**94**	33,434	69
Provisions for liabilities	15	**(15,353)**	**-**	(21,717)	-
Net assets		**13,940**	**94**	11,717	69
Capital and reserves					
Called up share capital	16	-	-	-	-
Profit and loss account		**13,940**	**94**	11,717	69
Total shareholders' funds		**13,940**	**94**	11,717	69

The notes on pages 15 to 27 are an integral part of these financial statements.

These financial statements on pages 11 to 27 were approved by the board of Directors on 24/8/2018 and were signed on its behalf by:

KJ Garvey
Director

Registered number: 08980374

Group cash flow statement
for the year ended 31 March 2018

	2018	2017
	£000	£000
Net cash flow from operating activities		
Operating profit	**47,283**	28,254
(Increase)/decrease in debtors	**(3,860)**	42,097
Increase/(decrease) in creditors	**5,790**	(55,899)
	49,213	14,452
Taxation	**(10,762)**	(4,660)
Net cash from operating activities	**38,451**	9,792
Cash flow from investing activities		
Interest received	**6**	43
Cash flow from financing activities		
Equity dividends paid	**(37,072)**	(13,526)
Increase/(decrease) in cash	**1,385**	(3,691)
Net increase/(decrease) in cash and cash equivalents	**1,385**	(3,691)
Cash and cash equivalents at the beginning of the year	**8,175**	11,866
Cash and cash equivalents at the end of the year - cash at bank and in hand	**9,560**	8,175

Group and Company statements of changes in equity
for the year ended 31 March 2018

	Note	**Group Share capital £000**	**Group Retained earnings £000**	**Group Total £000**
Balance at 1 April 2016		-	3,545	3,545
Profit for the financial year		-	21,698	21,698
Other comprehensive income		-	-	-
Dividends paid	17	-	(13,526)	(13,526)
Balance at 31 March 2017		-	11,717	11,717
Profit for the financial year		-	39,295	39,295
Other comprehensive income		-	-	-
Dividends paid	17	-	(37,072)	(37,072)
Balance at 31 March 2018		-	**13,940**	**13,940**

	Note	**Company Share capital £000**	**Company Retained earnings £000**	**Company Total £000**
Balance at 1 April 2016		-	131	131
Profit for the financial year		-	13,372	13,372
Other comprehensive income		-	-	-
Dividends paid		-	(13,434)	(13,434)
Balance at 31 March 2017		-	69	69
Profit for the financial year		-	37,097	37,097
Other comprehensive income		-	-	
Dividends paid	17	-	(37,072)	(37,072)
Balance at 31 March 2018		-	**94**	**94**

Notes to the financial statements

1 Statement of compliance

Cavendish Fluor Partnership Limited ("the Company") is a limited company incorporated in England. The address of its registered office is 33 Wigmore Street, London, United Kingdom, W1U 1QX.

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £'000.

The financial statements have been prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. This is discussed further in note 3.

The Group discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

The risks and benefits associated with expenditure on intangible and tangible fixed assets by the Group lie with the NDA. In accordance with Section 23 of FRS 102, this expenditure is treated as revenue expenditure in these financial statements. The expenditure is capitalised in the NDA's financial statements.

As permitted by Section 408 of the Companies Act 2006, the parent Company's profit and loss account has not been included in these financial statements. The parent Company's profit for the financial year was £37,097,000 (2017: £13,372,000). FRS 102 allows a qualifying entity certain disclosure exemptions. The company has taken advantage of the disclosure exemption in FRS 102 paragraph 1.12(a) from preparing a Statement of Cash Flows required by Section 7 and para 3.17 (d) of FRS 102.

Basis of consolidation

The Company's wholly owned subsidiaries, Magnox Limited and Research Site Restoration Limited, have been consolidated fully within these financial statements up to 31 March 2018. All entities in the Group have conterminous year ends.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

Basis of consolidation *(continued)*

Uniform accounting policies have been adopted across the Group and all profits/losses on intra group transactions are eliminated on consolidation.

Government grants

The Group has adopted the changes to the Research and Development Expenditure Credit (RDEC) scheme as outlined in the March 2013 Budget and which made law on 17 July 2013 when the Finance Act 2013 came into force. All credits relating to the RDEC scheme are now reported as a credit within the Revenue line, and are being treated as a Government grant. These grants are recognised in the year in which they become receivable on the basis that there are no future performance related conditions associated with this type of support. This is in line with the performance model approach outlined in FRS 102.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered net of value added tax.

Revenue is recognised when (a) the amount of revenue can be reliably measured; (b) it is probable that future economic benefits will flow to the entity and (c) when the specific criteria relating to each of the company's sales channels have been met, as described below.

Revenue from long-term service contracts is recognised by reference to the stage of completion of the contract. The stage of completion is determined by the costs incurred on the contract to date compared to the expected overall contract cost.

The profit element of the revenue attributable is recognised if the final outcome can be reliably assessed. In order to assess the likely outcome of a contract a full estimated cost of the completion is produced which reflects risks and opportunities including cost rates, time, volume and performance and applies a probability to these being realised. As time elapses, these risks and opportunities will become more predictable. The pain/gain sharing arrangements are included in assessing the overall contract outturn and expected profit.

Any expected loss is recognised immediately in the profit and loss account.

Employee benefits

The Group provides pension schemes for the benefit of the majority of its employees. The schemes are funded by contributions partly from the employees and partly from the Group. The primary schemes are:

Pension scheme	*Pension type*
Electricity Supply Pension Scheme (ESPS)	Defined Benefit closed to new entrants 31 August 2007
Combined Nuclear Pension Plan (CNPP)	Defined Benefit closed to new entrants 31 August 2007
Combined Nuclear Pension Plan (CNPP)	Defined Contribution opened to new entrants from 1 September 2007 onwards

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

Employee benefits *(continued)*

The Group Pension Scheme (GPS) has been removed as a separate scheme and amalgamated into the CNPP scheme. The individuals who were in the GPS have had their benefits ring-fenced so they are not penalised by moving to the CNPP scheme.

The schemes are administered by separate Trustee companies. For the defined benefit schemes independent qualified actuaries complete valuations periodically and, in accordance with their recommendations, annual contributions from employees and employer are paid to the scheme so as to secure the benefits set out in the rules.

Under the SLCA, in the normal course of activity, the Group bears no commercial risk for the performance of the defined benefit schemes, with any surplus or deficit ultimately falling to the NDA. During the life of the SLCA any changes to employer contributions would be treated as a Special Items and these changes would be reflected in an adjustment to the target cost. As a result the Group does not believe that the accounting treatment for a defined benefit scheme is appropriate for these schemes and is therefore accounting for them in line with the treatment required for a defined contribution scheme. The cost of the employer contributions charged to the profit and loss account is the contribution payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The Group also contributes to defined contribution schemes. Obligations for contributions to defined contribution schemes are recognised as an expense when they are incurred. The Group has no further payment obligation once the contributions have been paid.

Research expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit and loss account when incurred.

Operating leases

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense over the term of the lease.

Interest Income

This is interest received on the PBO fee account. Interest earned on the payments account is paid to the NDA.

Current and deferred income tax

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

***Current and deferred income tax** (continued)*

Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that there will be suitable taxable profit from which the future reversal of the timing differences can be deducted.

Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is measured on an undiscounted basis.

Research and development ("R&D") tax credits are accounted for within Cost of Sales in the Profit and Loss Statement. This recognition has been adopted in order to offset against the research and development costs identified as qualifying for relief.

Investments

Investments are stated at cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value in use.

Foreign currency translation

Transactions in foreign currencies are translated into the local currency of the Company and the Group using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the local currency using the exchange rates at that date. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities are recognised in the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using real rates of interest. The increase in the provision due to passage of time is recognised as a finance charge.

Notes to the financial statements *(continued)*

2 *Accounting policies (continued)*

***Provisions** (continued)*

Where assurances have been received from another party that they will reimburse some or all of the expenditure required to settle a provision, a debtor will be recognised to the extent of the amount expected to be reimbursed. The reimbursement debtor is shown separately from the related provision on the balance sheet.

Distributions to equity holders

Dividends are recognised in the Statement of Changes in Equity. Dividends are paid and proposed in the same period.

3 Critical accounting estimates and judgements

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following estimates have had the most significant effect on amounts recognised in the financial statements.

The severance provision is built up on an individual basis, using an estimate of expected severance cost based on individuals' terms and conditions and employment details.

The most significant judgement made by the Group relates to the assessment of the final outcome of the contract. As noted above, a full estimated cost of the completion is produced which reflects risks and opportunities including cost rates, time, volume and performance and applies a probability to these being realised.

4 Revenue

	2018	2017
	£000	£000
Contractual income	**562,671**	502,603
Other income	**46,308**	28,374
Total	**608,979**	530,977

Revenue increased in the year ended 31 March 2018 as a result of an increase in the Annual Site Funding Limit (ASFL) agreed with the NDA. The change in funding was consistent with the profile in the decommissioning life time plans. All turnover relates to the United Kingdom.

Notes to the financial statements *(continued)*

5 Operating profit

	2018	2017
	£000	£000
Operating profit is stated after charging / (crediting):		
Charitable donations	**713**	720
Audit fees	**77**	77
Research and development tax credits	**(5,939)**	(3,291)
NDA share of research and development tax credits	**2,397**	1,316

During the year, the Group obtained the following services from the Company's auditor:

	2018	2017
	£000	£000
Fees payable to the Company's auditors' and its associates for the audit of the parent Company and consolidated financial statements	**7**	**7**
Fees payable to the Company's auditors' and its associates for the audit of the Company's subsidiary financial statements	**70**	**70**
	77	**77**

6 Directors' emoluments

Directors' emoluments for the Group were as follows:

	2018	2017
	£000	£000
Aggregate emoluments	**238**	241

No retirement benefits are accruing to Directors *(2017: none)*.

Included in Directors' emoluments are amounts for Directors who acted as Directors of the subsidiary as well as those who acted for the parent Company.

No compensation was paid to any Director for loss of office *(2017: £nil)*.

Aggregate emoluments for the highest paid Director:

	2018	2017
	£000	£000
Non-executive emoluments	**25**	25
Chair of the Pension Trustees	**50**	50

Notes to the financial statements *(continued)*

7 Staff costs

The monthly average number of persons employed by the Group during the year by activity was:

	2018 Number	2017 Number
Delivery	**1,253**	1,362
Specialist	**588**	587
Lead	**476**	501
Other	**125**	124
	2,442	2,574

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	**134,693**	141,240
Social security costs	**15,023**	16,132
Pension costs	**30,077**	24,875
Other costs	**1,701**	2,271
	181,494	184,518

8 Other interest receivable and similar income

	2018 £000	2017 £000
Bank interest	**6**	43

A lower bank balance was held during 2017/18 as dividends were paid out on a more regular basis this year, resulting in lower interest received.

Notes to the financial statements *(continued)*

9 Tax on profit

Analysis of charge for the year

	2018 £000	2017 £000
UK corporation tax		
Current tax on profit for the year	**7,994**	6,582
Deferred tax		
Deferred tax on losses written off	**-**	17
Total deferred tax	**-**	17
Tax on profit	**7,994**	6,599

Factors affecting the tax charge for the current year

The tax charge for the year is lower *(2017: higher)* than the standard rate of corporation tax in the UK. The differences are explained below.

	2018 £000	2017 £000
Current tax reconciliation		
Profit before tax	**47,289**	28,297
Current tax at 19% *(2017: 20%)*	**8,985**	5,659
Effects of:		
Group relief surrendered for nil consideration	**29**	37
Adjustment in respect of prior year	**(1,020)**	886
Deferred tax on losses written off	**-**	17
Total tax charge for the year (see above)	**7,994**	6,599

Prior year adjustments comprise mainly of an adjustment to deferred tax for 2015/16 and 2016/17.

Notes to the financial statements *(continued)*

9 Tax on profit *(continued)*

Factors affecting tax charge for the year (continued)

The R&D tax credit is presented per the Research and Development Expenditure Credit (RDEC) method for the current financial year, in line with the method used in the prior financial year.

	2018 £000	2017 £000
R&D tax credit	**4,300**	3,291
50% payable to NDA	**(1,742)**	(1,316)
	2,558	1,975
Tax payable on R&D tax credit (included in tax charge above)	**486**	395

R&D Tax Credit for 2017/18 has been calculated based on an estimated qualifying expenditure during the year.

Adjustments for the 2016/17 R&D tax credit to account for the actuals in the 2017/18 financial statements:

	2018 £000	2017 £000
2016/17 R&D Tax Credit adjustment for actuals	**1,639**	-
50% payable to NDA	**(656)**	-
	983	-
Tax payable on R&D tax credit (included in tax charge above)	**187**	-
Total R&D tax credit including prior year adjustments	**5,939**	3,291
50% payable to NDA	**(2,397)**	(1,316)
	3,541	1,975

There is no unprovided deferred tax.

In the UK 2015 Budget it was announced that the UK corporation tax rate will reduce to 19% for April 2017. It was announced in the 2016 UK Budget that it will be further reduced to 18% from April 2020. It was subsequently announced in 2017 UK Budget that it will be reduced to 17% from April 2020. As a result of this change, UK deferred tax balances have been re-measured at 17% as this is the tax rate that will apply on reversal.

10 Investments

Shares in Group undertakings	Company £
At 1 April 2017	2
At 31 March 2018	4

Investments in group undertakings comprise Magnox Limited "A" share £1 and "B" share £1 and Research Sites Restoration Limited (RSRL) "A" share £1 and "B" share £1. The "B" shares were transferred to the Company during the year from the former Parent Body Organisations, Energy Solutions EU Limited and UKAEA Limited respectively.

Magnox Limited's principal activity is that of the decommissioning and clean-up of former reactor sites; Research Sites Restoration Limited is now dormant with the company's business being absorbed into Magnox Limited from April 2015.

Both Magnox Limited and Research Sites Restoration Limited are fully consolidated within these financial statements. For both subsidiaries, the investments held are ordinary shares, incorporation is in the UK, and the registered office is Oldbury Technical Centre, Thornbury, South Gloucestershire BS35 1RQ.

11 Debtors: amounts falling due within one year

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Trade debtors	-	-	-	135
Working capital recoverable from the NDA	134,440	-	120,429	-
Other debtors	240	60	477	-
Research & Development corporation tax credit	9,230	-	3,291	-
Deferred tax (note 14)	2,175	-	1,681	-
	146,085	60	125,878	135

12 Debtors: amounts falling due after one year

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Working capital recoverable from the NDA	325	-	10,239	-

The balance relates to severance costs recoverable from the NDA. The corresponding creditor balance is included within Provisions for liabilities (see note 15).

Notes to the financial statements *(continued)*

13 Creditors: amounts falling due within one year

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Trade creditors	66,298	-	65,597	59
Other taxation and social security	18,560	-	11,692	13
Corporation tax	5,886	-	2,221	-
Accruals and deferred income	35,933	20	31,348	27
	126,677	**20**	110,858	99

14 Deferred tax

	Group £000	Company £000
At 1 April 2017	1,681	-
Short term timing differences	2,175	-
Prior year adjustment	(1,681)	-
At 31 March 2018	**2,175**	-

15 Provisions for liabilities

Restructuring	Group £000	Company £000
At 1 April 2017	21,717	-
Utilised	(7,778)	-
Unwinding of discounted amount	261	-
Other changes	1,153	-
At 31 March 2018	**15,353**	-

The provision relates to voluntary severances, the majority of which will be paid in the next 24 months.

16 Called up share capital

Group and Company

	2018 £	2017 £
Allotted and fully paid		
100 *(2017: 100)* Ordinary shares of £1 each	**100**	100

Notes to the financial statements *(continued)*

17 Dividends

	2018 Group £000	2018 Company £000	2017 Group £000	2017 Company £000
Amounts recognised as distributions to equity holders in the year				
Dividend paid in aggregate £370,717 *(2017: £134,337)* per share	37,072	37,072	13,434	13,434
RSRL 'B' share dividend paid in aggregate nil (2017: £92,000) per share	-	-	92	-

18 Financial commitments

At 31 March 2018 the Group had no non-cancellable operating leases *(2017: nil)*.

The Group has no other financial commitments.

19 Retirement benefits

Defined benefit schemes

The Combined Nuclear Pension Plan Defined Benefit (CNPP DB) Scheme is a multi–employer scheme which provides defined benefits to its members. The CNPP DB is a defined benefit plan but is accounted for as a defined contribution scheme. The employer contribution rate to the CNPP during the reporting year was set at 23.5% of pensionable earnings. Following the triennial valuation, the employer contribution rate is not expected to increase until the financial year commencing 1st April 2018. The scheme was closed to new entrants on 31 August 2007. New recruits to the Company after 1 September 2007 are eligible to join the defined contribution structure of the CNPP.

The Electricity Supply Pension Scheme (ESPS) is a funded scheme. The SLC Section within the Magnox Group Section of this scheme covers Magnox Limited employees. The ESPS DB is a defined benefit plan but is accounted for as a defined contribution scheme. The employer contribution rate to the ESPS for the Company during the reporting year was set at 24.0% of pensionable earnings. The scheme was closed to new entrants on 31 August 2007. New recruits to the Company after 1 September 2007 are eligible to join the defined contribution structure of the CNPP. The triannual valuation of this scheme has taken place and there will be an increase in the employers' contributions from April 2017 from 24.0% to 33.6%.

Defined contribution schemes:

The CNPP Defined Contribution (DC) Scheme is administered on behalf of the Company by Aon Hewitt. The funds are managed by BlackRock Investment Management (UK) Ltd. Employees are automatically enrolled in the DC Plan unless they choose to opt out. If they wish to remain a member they choose the level of contribution they wish to make, from a minimum of 3% of salary. The Company contribution is on a sliding scale, dependent upon the employee contribution rate, from a minimum of 8% up to a maximum of 13.5%.

There were no amounts prepaid or outstanding at 31 March 2018 *(2017: £nil)*.

Notes to the financial statements *(continued)*

20 Related party disclosures

Sales to related parties (all trading):

	Sales to related party 2018 £000	Amounts due from related party 2018 £000	Sales to related party 2017 £000	Amounts due from related party 2017 £000
Dounreay Site Restoration Limited	190	-	163	36
Total sales to related parties	**190**	-	163	36

Purchases from related parties (all trading):

	Purchases from related party 2018 £000	Amounts due to related party 2018 £000	Purchases from related party 2017 £000	Amounts due to related party 2017 £000
Cavendish Nuclear Limited	29,711	530	18,731	1,730
Cavendish Nuclear Manufacturing Limited	2,506	-	-	-
Dounreay Site Restoration Limited	-	-	2	-
Fluor Enterprises, Inc	5,343	-	4,481	434
Total purchases from related parties	**37,560**	**530**	23,214	2,164

In addition Cavendish Fluor Partnership Limited made sales for services to its subsidiary Magnox Limited for the amount of £112,500 (2017: £112,500). Amounts outstanding at 31 March 2018 were £56,250 (2017: £112,500).

There have been no provisions made for bad or doubtful debts in respect of amounts due from related parties. There have been no amounts written off in the year in respect of any amounts due to or from related parties.

21 Ultimate parent entity

The Company is under the control of Cavendish Nuclear Limited (65%) and Fluor Enterprises, Inc. (35%).

The ultimate parents are Babcock International Group plc (a company incorporated in England) and Fluor Inc. (a company incorporated in the United States of America).