Registered number: 4006213

# Westinghouse Electric Company UK Limited

Annual report and financial statements

for the year ended 31 March 2017

# Westinghouse Electric Company UK Limited

## Contents

# Westinghouse Electric Company UK Limited

## Company information

| | |
|---|---|
| **Directors** | David S Peacock<br>John Kipling<br>Kirsty Armer<br>Linda M Aylmore<br>Michael R Gornall<br>Simon J Marshall |
| **Company secretary** | Fiona A Houghton |
| **Registered office** | Springfields<br>Salwick<br>Preston<br>Lancashire<br>PR4 0XJ<br>United Kingdom |
| **Independent Auditors** | PricewaterhouseCoopers LLP<br>8 Princes Parade<br>Liverpool<br>L3 1QJ |
| **Bankers** | Barclays Bank Plc<br>1 Churchill Place<br>London<br>E14 5HP |

# Westinghouse Electric Company UK Limited

## Strategic report
## For the year ended 31 March 2017

The directors present the Strategic report for the financial year ended 31 March 2017.

The directors, in preparing this Strategic report, have complied with Section 414C of the Companies Act 2006.

**Principal activities and fair review of the business**

The company is a wholly owned subsidiary of Westinghouse Electric UK Holdings Limited and its principal activity is to develop nuclear business opportunities in the United Kingdom, specifically related to nuclear power plant build based on AP1000® technology together with operating plant and decommissioning services.

The company's key financial indicators during the year were as follows:

| | 2017 £ 000 | 2016 £ 000 | % Change increase/ (decrease) |
|---|---|---|---|
| Turnover | **57,138** | 33,220 | 72.0% |
| Operating loss before interest and taxation | **(45,460)** | (657) | 6,819.3% |
| Loss for the financial year | **(42,124)** | (317) | 13,188.3% |
| Total shareholders'(deficit)/funds | **(34,090)** | 8,034 | (524.3%) |
| Current assets to current liabilities ratio | **1.20:1** | 0.50:1 | 140.0% |

Turnover of £57,138,000 (2016: £33,220,000) is mainly as a result of additional income from New Plants & Major Projects £34,656,000 (2016: £14,682,000), Operating Plant Business £17,989,000 (2016: £11,330,000) and Decontamination Decommissioning, Remediation and Waste Management services £3,460,000 (2016: £6,298,000).

Operating loss of £45,460,000 (2016: loss £657,000) is mainly due to a £40,310,000 impairment charge recognised against the AP1000® Generic Design Assessment (GDA) intangible asset.

The decrease in total shareholders' funds is a result of the loss made in the year.

In June 2014 Toshiba Corporation acquired a 60 percent controlling stake in NuGeneration Limited (NuGen) in a deal in which ENGIE SA (formerly GDF Suez SA) retained a 40 percent holding. In May 2017 ENGIE SA exercised its rights to sell its 40% shareholding to Toshiba Corporation which became the 100% shareholder. NuGen's plans to build three Westinghouse AP1000® reactors in West Cumbria are uncertain at this time. The company has undertaken a broad range of preparatory works, including regulatory, permitting and commercial activities. During the year the GDA license for the AP1000® Nuclear Reactor was completed and the development costs were recognised as an intangible asset of £40,310,000 (2016: £22,758,000). The intangible asset has been fully impaired due to the uncertainty regarding the building of AP1000® reactors in West Cumbria, Westinghouse Electric Company LLC filing for Chapter 11 and Toshiba Corporation's financial situation. The GDA license was successfully obtained on 31 March 2017.

**Results**

The loss for the financial year amounted to £42,124,000 (2016: loss of £317,000). The directors do not recommend the payment of a dividend (2016: £nil).

# Strategic report (continued)
# For the year ended 31 March 2017

### Principal risks and uncertainties

On 29 March 2017 Toshiba Nuclear Energy Holdings (UK) Ltd (TNEH UK)., Westinghouse Electric Company LLC (Westinghouse) (a subsidiary of Toshiba Nuclear Energy Holdings (US), Inc.) and other subsidiaries of Toshiba Nuclear Energy Holdings (US), Inc. filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. As a direct result, the Bank Mendes Gans N.V. notional cash pooling facility shared by Westinghouse entities of which the company was a participant, defaulted. This has placed restrictions on the funding and liquidity for the company.

Alternative funding has been made available to the company through a Debtor in Possession (DIP) financing agreement arranged by Westinghouse through Apollo Global Management LLC (Apollo) subject to limitations until exit of the Chapter 11 process, although the company has not decided at this time to draw on that funding and continues to manage its liquidity independently.

The Chapter 11 filing was triggered due to US business activities (AP1000® US contracts) and has unfortunately had a direct impact on the shareholders ability to support the AP1000® projects in the UK, resulting in a provision for impairment against the GDA intangible asset (£40,310,000).

The Debtors in the Chapter 11 process are executing a plan of restructuring to exit the Chapter 11 process successfully.

The company has developed a business plan intended to provide for a competitive cost structure necessary to improve its financial position, provide long-term stability for its stakeholders, and support the successful operation of the company's core businesses.

Growth is anticipated in the Operating Plant Business (OPB), Decontamination Decommissioning, Remediation and Waste Management services (DDR & WM).

Principal risks to the business are focused on ensuring the company can grow the UK skills base and capacity in line with the business growth opportunities.

Important aspects of the company's emergence business strategy include: (i) a continued focus on safe, cost disciplined operations; (ii) maximisation of the most profitable elements of its asset base and potential divesture of non-strategic assets; (iii) strategic investment; and (iv) a reduction of overall fixed costs.

### Going Concern of Toshiba Corporation

The financial statements of Toshiba Corporation for the year ended 31 March 2017 disclosed material uncertainty over its ability to continue as a going concern. This material uncertainty was due to its negative net worth which in turn was caused by losses related to its acquisition of CB & I Stone Webster through Westinghouse Electric Company LLC in the prior year.

Whilst Toshiba Corporation has publicly announced plans to return to positive net worth, at the present time there remains material uncertainty over its ability to continue as a going concern.

# Strategic report (continued)
# For the year ended 31 March 2017

**Overseas branch**

On 1 June 2016 WEC UK incorporated a branch in the Netherlands:

Westinghouse Electric Company UK Limited – Netherlands branch
Urmonderbaan 22
Building G122-94
6167 RD Geleen
The Netherlands

**Future developments**

The company continues to work towards growth by way of considering alternatives to the NuGeneration Limited arrangement. Strategic options are being explored. In addition the growth of Westinghouse's work at Sellafield via our Galemire Court operation and Sizewell nuclear power plant opportunities continue to be progressed.

**Events after the balance sheet date**

Details of significant events since the balance sheet date are contained in note 22 to the financial statements

Approved by the Board on 15 December 2017 and signed on its behalf by:

............................................

Michael R Gornall

Director

# Directors' report
# For the year ended 31 March 2017

The directors present their annual report on the affairs of the company, together with the audited financial statements and independent auditors' report, for the year ended 31 March 2017.

**Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

David S Peacock (appointed 1 June 2016)
Gaenor Prest (appointed 1 June 2016, resigned 27 July 2017)
John Kipling (appointed 1 June 2016)
Kirsty Armer (appointed 1 June 2016)
Linda M Aylmore (appointed 1 June 2016)
Mark McCowen (appointed 1 June 2016, resigned 13 December 2016)
Michael R Gornall (appointed 20 May 2016)
Simon J Marshall (appointed 1 June 2016)
David Unsworth (resigned 27 May 2016)

The company maintains directors' and officers' liability insurance covering the defense costs of civil legal proceedings and the damages resulting from the unsuccessful defense of such proceedings except, in such cases, to the extent that a director or officer acted fraudulently or dishonestly.

**Strategic report**

The information that fulfils the Companies Act requirements of the business review is included in the Strategic report. This includes a review of the development of the business of the company during the year, of its position at the end of the year and of the likely future developments in its business.

**Financial risk management objectives and policies**

***Financial instruments***

The company's financial instruments comprise some cash and short-term loans from group undertakings that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are interest rate risk, foreign currency risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The policies have remained unchanged since incorporation.

***Interest rate risk***

The company finances its operations through a mixture of retained profits and loans from group undertakings. Interest rates in respect of group undertakings are in accordance with Westinghouse Treasury policies.

***Foreign currency risk***

As at 31 March 2017 there were no outstanding foreign currency contracts (2016: 11) (note 19). Company policies ensure that an overall view of the group's exchange exposure and foreign currency commitments can be done in conjunction with the Treasury Department of Westinghouse Electric Company LLC.

***Liquidity risk***

As referenced in the Strategic report, the Bank Mendes Gans N.V. notional cash pooling facility shared within the Westinghouse group defaulted and terminated. The company operates independent bank accounts locally and has the ability to lend cash through the Debtor in Possession (DIP) financing agreement arranged by Westinghouse Electric Company LLC (WEC LLC) through Apollo subject to various limitations.

# Directors' report (continued)
# For the year ended 31 March 2017

**Research and development**

In June 2014 WEC LLC, Advance Energy UK Limited, Toshiba Corporation and ENGIE SA (formerly GDF SUEZ SA) entered into a Shareholders Agreement (SHA) in relation to NuGen. This agreement contains obligations to the Generic Design Assessment (GDA) license for the AP1000® Nuclear Reactor (AP1000®) which will be delivered by Westinghouse and NuGen. The company achieved GDA approval for the AP1000® design on 31 March 2017. As at 31 March 2017, the GDA intangible asset was capitalised at a value of £40,310,000. Impairment charges expensed to the profit and loss in the year amounted to £40,310,000 against the remaining intangible asset (note 12).

**Political donations**

The company has made no political contributions during the year (2016: £nil).

**Going concern**

The company's business activities, together with the factors likely to affect its future development, its financial position and financial risk management objectives are as described in the Strategic report on pages 2 to 4.

The company is in a net liabilities position and is reliant on support from its parent, Westinghouse Electric UK Holdings Limited (WEC Holdings), in order to continue as a going concern.

Additional business opportunities continue to be developed and ongoing bids offered to various customers. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and have strategic plans to revert the negative equity position through robust business plans. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

**Dividends**

The directors do not recommend the payment of a dividend (2016: £nil).

**Independent Auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors 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.A resolution to reappoint PricewaterhouseCoopers LLP as auditors in accordance with section 485 of the Companies Act 2006 will be put to the members at the Annual General Meeting.

The financial statements on pages 11 to 13. were approved by the Board of Directors on 15 December 2017 and signed on its behalf by:

Michael R Gornall
Director

## Statement of directors' responsibilities in respect of the financial statements

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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 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.

The directors 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 on 15 December 2017 and signed on its behalf by:

Michael R Gornall
Director

# Westinghouse Electric Company UK Limited

# Independent auditors' report to the members of Westinghouse Electric Company UK Limited

## Report on the financial statements

### Our opinion

In our opinion, Westinghouse Electric Company UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss 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.

### What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 March 2017;
- the Profit and loss account for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### 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.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

# Independent auditors' report to the members of Westinghouse Electric Company UK Limited (continued)

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

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, 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.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

# Independent auditors' report to the members of Westinghouse Electric Company UK Limited (continued)

**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Jonathan Studholme

Jonathan Studholme (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Liverpool

18 December 2017

# Westinghouse Electric Company UK Limited

## Profit and loss account
## For the year ended 31 March 2017

| | Note | 2017<br>£ 000 | 2016<br>£ 000 |
|---|---|---|---|
| Turnover | 4 | **57,138** | 33,220 |
| Net operating costs and expenses | | **(62,288)** | (33,877) |
| Exceptional item | 6 | **(40,310)** | - |
| **Operating loss before interest and taxation** | 5 | **(45,460)** | (657) |
| Interest receivable and similar income | 9 | **2** | 21 |
| Interest payable and similar expenses | 10 | **(602)** | (366) |
| **Loss on ordinary activities before taxation** | | **(46,060)** | (1,002) |
| Income tax credit | 11 | **3,936** | 685 |
| **Loss for the financial year** | | **(42,124)** | (317) |

The above results were derived from continuing operations.

There has been no other comprehensive income during either 2017 or 2016 other than as disclosed in the profit and loss account and therefore no separate statement of total comprehensive income has been presented.

## Westinghouse Electric Company UK Limited

# Balance sheet
## As at 31 March 2017

| | Note | 2017<br>£ 000 | 2016<br>£ 000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 12 | - | 22,758 |
| Investments in joint ventures | 13 | 1 | 1 |
| Deferred tax asset | 14 | - | 430 |
| **Total fixed assets** | | 1 | 23,189 |
| **Current assets** | | | |
| Debtors | 15 | 27,956 | 12,493 |
| Cash at bank and in hand | | 3,583 | 2,883 |
| **Total current assets** | | 31,539 | 15,376 |
| **Creditors: amounts falling due within one year** | 16 | (26,191) | (30,531) |
| **Net current assets/(liabilities)** | | 5,348 | (15,155) |
| Creditors: amounts falling due after more than one year | 17 | (39,398) | - |
| Deferred tax liability | 14 | (41) | - |
| **Creditors: amounts falling due after more than one year** | | (39,439) | - |
| **Net (liabilities)/assets** | | (34,090) | 8,034 |
| **Capital and reserves** | | | |
| Called-up share capital | 18 | 1,000 | 1,000 |
| Profit and loss account | | (35,090) | 7,034 |
| **Total shareholders' (deficit)/funds** | | (34,090) | 8,034 |

The notes on pages 14 to 27 are an integral part of these financial statements

The financial statements of Westinghouse Electric Company UK Limited (registration number: 4006213) were approved by the Board of directors and authorised for issue on 15 December 2017.

They were signed on its behalf by:

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Michael R Gornall

Director

# Westinghouse Electric Company UK Limited

## Statement of changes in equity
## For the year ended 31 March 2017

| | Called-up share capital £ 000 | Profit and loss account £ 000 | Total shareholders' funds/(deficit) £ 000 |
|---|---|---|---|
| At 1 April 2015 | 1,000 | 7,351 | 8,351 |
| Loss for the financial year | - | (317) | (317) |
| Total comprehensive expense for the year attributable to the owners of the company | - | (317) | (317) |
| At 31 March 2016 | 1,000 | 7,034 | 8,034 |
| Loss for the financial year | - | **(42,124)** | **(42,124)** |
| **Total comprehensive expense for the year attributable to the owners of the company** | - | **(42,124)** | **(42,124)** |
| **At 31 March 2017** | **1,000** | **(35,090)** | **(34,090)** |

# Notes to the financial statements
# For the year ended 31 March 2017

## 1. General information

The company is a private company limited by share capital and is incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:

Springfields
Salwick
Preston
Lancashire
PR4 0XJ

These financial statements are presented in Pounds sterling because that is the currency of the primary economic environment in which the company operates. The financial statements are prepared under the historical cost convention, except, where stated in the accounting policies, in accordance with applicable Financial Reporting Standards 101 Reduced Disclosure.

The financial statements are prepared in accordance with the requirements of the Companies Act 2006 and the Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and applicable accounting standards.

## 2. Accounting policies

### Summary of significant 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, unless otherwise stated.

### Basis of accounting

The financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

### Summary of disclosure exemptions

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j)-(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations; group accounts have not been presented;
- the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006;
- the requirements of IFRS 7 Financial Instruments: Disclosures, the categories of financial instrument and nature and extent of risks arising on these financial instruments have not been detailed;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement, the valuation techniques applied to assets and liabilities held at fair value have not been disclosed;
- the requirements of paragraphs 59, B49 and B50 of IFRS 16 Leases, explanations of significant movements in changes have not been included;
- the requirements of paragraph 10(f) of IAS 1 Presentation of Financial Statements, a third statement of financial position has not been given to reflect the change in accounting policy;
- the requirements of IAS 7 Statement of Cash flows, a statement of cash flows has not been presented;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; the list of new IFRSs that have been issued but that have yet to be applied have not been disclosed;

# Notes to the financial statements (continued)
# For the year ended 31 March 2017

## 2. Accounting policies (continued)

**Summary of disclosure exemptions (continued)**

- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Transactions, related party transactions between members of the group have not been disclosed; and
- the requirements of paragraphs 134 (d)-(f) and 135(c)-(e) of IAS 36 Impairment of Assets, the valuation techniques and assumptions used for assets held at fair value less cost to sell categorized as Level 2 and Level 3 in accordance with IFRS 13 fair value hierarchy have not been disclosed.

**Going concern**

The company is in a net liabilities position and is reliant on support from its parent, WEC Holdings, in order to continue as a going concern. Therefore the directors have considered the following key factors in concluding on the use of the going concern basis when preparing these financial statements:

- During the 12 months from the date of signing the financial statement the company is forecast to generate net cash inflows of £10m.
- Whilst in a net liabilities position, the company had cash of £3.6m and net current asset of £5.3m at the balance sheet date.

The directors will continue to review the above key factors on an ongoing basis. The directors consider the company to be a going concern, as such these financial statements have been prepared on the going concern basis of preparation.

The company's business activities, together with the factors likely to affect its future development, its financial position and financial risk management objectives are as described in the Strategic report on pages 2 to 4.

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

**Internally-generated intangible assets - research and development expenditure**

In accordance with IAS 38 - Accounting for research and development, costs are capitalised when the technical and commercial viability of the project is reasonably certain. Capitalised development costs are amortised over the useful life of the project to which the costs relate. Intangible assets are reviewed for indicators of impairment annually and if indicators exist a full impairment review is performed.

**Current and deferred tax**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the UK.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and there carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred income tax liability is settled.

# Notes to the financial statements (continued)
# For the year ended 31 March 2017

## 2. Accounting policies (continued)

### Current and deferred tax (continued)

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offset current tax assets against current tax liabilities and the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

### Turnover

Revenue-earning activities involve the rendering of decommissioning and operating plant services and activities on the Front End Engineering and Design Agreement for the construction of three new AP1000®'s based at Moorside, Sellafield. Revenues are considered to have been earned when the entity has substantially accomplished what it must do to be entitled to the benefits represented by the revenues.

Revenue is only recognised when the entity has met all of the following criteria:

- persuasive evidence of an arrangement exists;
- delivery has occurred or services have been rendered;
- the seller's price to the buyer is fixed or determinable; and
- collectability is reasonably assured.

Charges are incurred on behalf of other companies as an administrative matter. These are not considered to be trading income and as such are treated as other income rather than turnover.

### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. Exchange differences are taken to the profit and loss account.

### Exceptional items

The company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

### Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

# Notes to the financial statements (continued)
# For the year ended 31 March 2017

## 2. Accounting policies (continued)

**Financial instruments (continued)**

***Financial assets***

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and debtors'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

***Derivative financial instruments and hedging***

The company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is based on the market values. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

***Loans and debtors***

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

***Financial liabilities and equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised as the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

# Notes to the financial statements (continued)
# For the year ended 31 March 2017

**2. Accounting policies (continued)**

**Financial instruments (continued)**

***Other financial liabilities***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

**Critical judgements in applying the company's accounting policies**

The company has a critical judgement to disclose, that the directors have made in the process of applying the company's accounting policies and that has the most significant effect on the accounts recognised in the financial statements.

***Revenue recognition***

The group uses the percentage-of-completion method in accounting for its contracts to deliver design services. Use of the percentage-of-completion method requires the group to estimate the services performed to date as a proportion of the total services to be performed. In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods and services set out in IAS 18 Revenue and, in particular, whether the company had transferred to the buyer the significant risks and rewards of ownership of the goods.

**Key sources of estimation uncertainty**

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

***(i) Fair value of financial instruments***

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The company uses its judgment based on market conditions existing at the end of each reporting year.

***(ii) Recoverability of internally-generated intangible asset***

During the year, the Directors reconsidered the recoverability of its internally-generated intangible asset which is included in its balance sheet at nil (note 12). The company will be reimbursed for Generic Design Assessment ("GDA") and licensing costs up to a total of £24,000,000 if Westinghouse obtains the "Design Acceptance Confirmation" (DAC) and "Statement of Design Acceptability" (SoDA). It is not considered likely that either an Engineering, Procurement and Construction (EPC) contract will be awarded, or that the amount will be recovered from WEC LLC, therefore the intangible asset has been fully impaired.

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

**Key sources of estimation uncertainty (continued)**

***(iii) Deferred tax***

The company has recognised a deferred tax asset (note 14) which requires judgement for determining the extent of recoverability at each reporting date. The company assesses the recoverability with reference to forecasts of future taxable profits. These forecasts require the use of assumptions and estimates. Where the temporary differences are related to losses, relevant law is considered to determine the availability of the losses to offset against the future taxable profits.

### 4. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties during the year. Total revenue for the year ended mainly relates to New Plants & Major Projects £34,656,000 (2016: 14,682,000), Operating Plant Business £17,989,000 (2016: £11,330,000) and Decontamination, Decommissioning, Remediation and Waste Management £3,460,000 (2016: £6,298,000). An analysis of turnover by geographical market is given below:

| | 2017<br>£ 000 | 2016<br>£ 000 |
|---|---|---|
| United Kingdom | 57,138 | 33,220 |

An analysis of the company's turnover by class of business is set out below.

| | 2017<br>£ 000 | 2016<br>£ 000 |
|---|---|---|
| **Turnover:** | | |
| New Plants & Major Projects | 34,656 | 14,682 |
| Nuclear Fuel & Components Manufacturing | - | 619 |
| Operating Plant Business | 17,989 | 11,330 |
| Decontamination, Decommissioning, Remediation and Waste Management | 3,460 | 6,298 |
| Corporate Centre | 1,033 | 291 |
| | 57,138 | 33,220 |

### 5. Operating loss before interest and taxation

Operating loss before interest and taxation has been arrived at after (crediting)/charging:

| | 2017<br>£ 000 | 2016<br>£ 000 |
|---|---|---|
| Other income | (519) | (425) |
| Employee costs (note 7) | 5,244 | 5,833 |
| Auditors' remuneration - audit of the company's financial statements | 24 | 24 |
| Other external and operating charges | 56,234 | 28,270 |
| Realised foreign exchange losses on settled transactions | 1,305 | 175 |
| Exceptional item (note 6) | 40,310 | - |

# Notes to the financial statements (continued)
# For the year ended 31 March 2017

## 6. Exceptional item

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Amounts unrecoverable in respect of the GDA | 40,310 | - |
| | 40,310 | - |

The directors deemed that it is not probable that any costs incurred on the generation of the GDA are recoverable, therefore, the intangible asset was fully impaired and £40,310,000 expensed through the Profit and loss account.

## 7. Employee costs

Westinghouse Electric Company UK Limited has no persons employed under contract of service.

Employee costs were incurred by Westinghouse Electric UK Holdings Limited and recharged to Westinghouse Electric Company UK Limited during the year.

Their aggregate remuneration comprised:

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Wages and salaries | 3,832 | 4,546 |
| Social security costs | 447 | 546 |
| Other pension costs | 676 | 741 |
| Compensation for loss of office | 289 | - |
| | 5,244 | 5,833 |

## 8. Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Aggregate emoluments in respect of qualifying services | 580 | - |
| Compensation for loss of office | 289 | |
| Company contributions to defined contribution pension schemes | 138 | - |
| | 1,007 | - |

The cost of directors' services is borne by Westinghouse Electric Company UK Limited except for Tracey S Evans, Simon J Marshall, David S Peacock and Gaenor Prest who are all remunerated by Springfields Fuels Limited.

# Notes to the financial statements (continued)
# For the year ended 31 March 2017

## 8. Directors' remuneration (continued)

During the year the number of directors who were receiving benefits was as follows:

| | 2017 No. | 2016 No. |
|---|---|---|
| Number of directors accruing benefits under defined benefit schemes | 4 | 1 |
| Number of directors accruing benefits under defined contribution schemes | 2 | - |

In respect of the highest paid director:

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Aggregate emoluments | 254 | 266 |
| Accrued pension fund at the end of year | 60 | 43 |

## 9. Interest receivable and similar income

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Bank interest | 2 | 4 |
| Other interest | - | 17 |
| | 2 | 21 |

## 10. Interest payable and similar expenses

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Bank interest | 34 | 35 |
| Other charges | 2 | 12 |
| Unrealised foreign exchange losses on unsettled balances | 566 | 319 |
| | 602 | 366 |

# Notes to the financial statements (continued)
# For the year ended 31 March 2017

## 11. Income tax credit

a) Tax credit included in profit and loss:

| | 2017<br>£ 000 | 2016<br>£ 000 |
|---|---|---|
| **Current taxation** | | |
| UK corporation tax credit on losses for the year | (4,406) | (193) |
| Adjustment in respect of prior periods | - | (10) |
| Total current tax | (4,406) | (203) |
| **Deferred tax** | | |
| Origination and reversal of timing differences | 444 | (485) |
| Adjustment in respect of prior periods | 26 | 3 |
| Total deferred tax | 470 | (482) |
| **Tax on losses** | (3,936) | (685) |

b) There is no tax included in other comprehensive income.

c) Tax credit for the year is higher (2016: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2017 of 20% (2016:20%). The differences are explained below:

| | 2017<br>£ 000 | 2016<br>£ 000 |
|---|---|---|
| Loss on ordinary activities before taxation | (46,060) | (1,002) |
| Loss on ordinary activities before multiplied by the standard rate of tax in the UK of 20% (2016:20%) | (9,212) | (200) |
| Effects of: | | |
| Remeasurement of deferred tax | 720 | (488) |
| Deferred tax not recognised | 4,530 | - |
| Adjustments to tax charge in respect of prior years | 26 | 3 |
| Tax credit | (3,936) | (685) |

Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. A further reduction in the corporation tax rate to 17%, to be effective from 1 April 2020, was announced in the Chancellor's 2016 budget.

# Notes to the financial statements (continued)
# For the year ended 31 March 2017

## 12. Intangible assets

| | Capitalised research & development costs £ 000 |
|---|---|
| **Cost or valuation** | |
| At 1 April 2016 | 22,758 |
| Additions | 17,552 |
| **At 31 March 2017** | **40,310** |
| **Accumulated impairment** | |
| At 1 April 2016 | |
| Impairment charge | 40,310 |
| **At 31 March 2017** | **40,310** |
| **Carrying amount** | |
| **At 31 March 2017** | - |
| At 31 March 2016 | 22,758 |

The costs of £40,310,000 (2016: £22,758,000) relate to the GDA for the AP1000® Nuclear Reactor (AP1000®) which will be delivered by NuGen which is a joint venture between Toshiba and ENGIE SA (formerly GDF SUEZ SA). The costs involved in developing the project to this stage were capitalised in accordance with IAS 38 – Intangible Assets. It is not considered likely that either an Engineering, Procurement and Construction (EPC) contract will be awarded, or that the amount will be recovered from WEC LLC, therefore the intangible asset has been fully impaired.

## 13. Investments in joint ventures

| | Shares in joint ventures £ 000 |
|---|---|
| **Cost** | |
| At 1 April 2016 | 1 |
| Additions | - |
| **At 31 March 2017** | **1** |

# Notes to the financial statements (continued)
# For the year ended 31 March 2017

### 13. Investments in joint ventures (continued)

Details of the company's joint ventures as at 31 March 2017 are as follows:

| Name of joint ventures | Principal activity | Place of incorporation and principal place of business | Proportion of ownership interest and voting rights held | |
|---|---|---|---|---|
| | | | **2017** | 2016 |
| Cumbria Nuclear Solutions Limited | Nuclear Activities | United Kingdom | **16%** | 16% |

### 14. Deferred tax asset/(liability)

The deferred tax asset consists of the following tax assets/(liabilities):

| | **2017 £ 000** | 2016 £ 000 |
|---|---|---|
| Deferred tax assets due within 12 months | **-** | - |
| Deferred tax liabilities due within 12 months | **(6)** | (6) |
| Total provision | **(6)** | (6) |
| Deferred tax assets due after 12 months | **-** | 476 |
| Deferred tax liabilities due after 12 months | **(35)** | (40) |
| Total asset | **(35)** | 436 |
| Total deferred tax (liability)/asset | **(41)** | 430 |

**Deferred tax liabilities**

| | Derivative financial instruments £ 000 | **Total £ 000** |
|---|---|---|
| At 1 April 2015 | (52) | (52) |
| Credited to the profit and loss | 6 | 6 |
| **At 31 March 2016** | (46) | (46) |
| Credited to the profit and loss | **5** | **5** |
| **At 31 March 2017** | **(41)** | **(41)** |

# Notes to the financial statements (continued)
# For the year ended 31 March 2017

### 14. Deferred tax asset/(liability) (continued)

**Deferred tax assets**

| | Tax losses £ 000 | Accelerated capital allowances £ 000 | Total £ 000 |
|---|---|---|---|
| At 1 April 2015 | - | - | - |
| Credited to the profit and loss | 468 | 8 | 476 |
| **At 31 March 2016** | 468 | 8 | 476 |
| Charged to the profit and loss | **(468)** | **(8)** | **(476)** |
| **At 31 March 2017** | - | - | - |

There are £4,530,000 of tax losses which are not recognised as at 31 March 2017 (2016: nil).

### 15. Debtors

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Trade debtors | **22,613** | 9,459 |
| Amounts owed by group undertakings | **5,342** | 2,983 |
| Corporation tax | - | 1 |
| Loan due from related party | - | 3 |
| Other debtors | **1** | 47 |
| | **27,956** | 12,493 |

The company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other debtors is disclosed in the financial risk management and impairment note in the Directors' report.

Within amounts owed by group undertakings is £4,599,000 due from Springfields Fuels Limited for group tax relief and the remaining amounts are for trading amounts. The balance is due within the year and no interest is chargeable.

# Notes to the financial statements (continued)
# For the year ended 31 March 2017

## 16. Creditors: amounts falling due within one year

| | 2017<br>£ 000 | 2016<br>£ 000 |
|---|---|---|
| Trade creditors | 3,075 | 1,457 |
| Amounts owed to group undertakings | 14,557 | 1,541 |
| Other taxes | 1,548 | 1,488 |
| Accruals and other creditors | 7,008 | 26,017 |
| Derivative financial instruments (note 19) | 3 | 28 |
| | 26,191 | 30,531 |

Within amounts owed to group companies is an amount due to WEC LLC of $11,295,000 for the company's overdrawn share of the global notional cash pool balance which defaulted on 29 March 2017. There is also a trading balance due to WEC LLC for £4,718,000, no interest is charged on this.

## 17. Creditors: amounts falling due after more than one year

| | 2017<br>£ 000 | 2016<br>£ 000 |
|---|---|---|
| Amounts owed to group undertakings | 39,398 | - |
| | 39,398 | - |

Amounts owed to group undertakings comprise a loan from WEC LLC which is repayable on 31 March 2026. The monthly interest rate applied is USD LIBOR plus 45 basis points, however the interest is only repayable when the loan matures.

## 18. Called-up share capital and reserves

| **Authorised shares** | 2017<br>No. | 2017<br>£ 000 | 2016<br>No. | 2016<br>£ 000 |
|---|---|---|---|---|
| Ordinary shares of £1 each | 2,000,000 | 2,000 | 2,000,000 | 2,000 |

**Allotted, called-up and fully paid shares**

| | 2017<br>No. | 2017<br>£ 000 | 2016<br>No. | 2016<br>£ 000 |
|---|---|---|---|---|
| Ordinary shares of £1 each | 1,000,001 | 1,000 | 1,000,001 | 1,000 |

The company has one class of ordinary shares which carries no right to fixed income.

The directors do not recommend the payment of a dividend (2016: £nil).

# Notes to the financial statements (continued)
# For the year ended 31 March 2017

### 19. Derivative financial instruments

At 31 March 2017 there were 2 (2016: 11) derivative financial assets that relate to forward currency hedging contracts. These had a fair value of £3,000 (2016: £28,000).

### 20. Contingent liabilities

The company has no other contingent liabilities and has issued no guarantees under Companies Act 2006 Section 394CA or 479C.

### 21. Controlling party

The company is a subsidiary undertaking of Westinghouse Electric UK Holdings Limited and the ultimate parent company is Toshiba Corporation (Toshiba). Westinghouse Electric UK Holdings Limited is a subsidiary undertaking of Toshiba Nuclear Energy Holdings (UK) Limited (TNEH UK) which is owned in the following proportions:

87% Toshiba Corporation
10% National Atomic Company Kazatomprom JSC
3% IHI Corporation

On 16 February 2017 IHI Corporation exercised its put option to sell its shares to Toshiba. In accordance with the agreed steps and price under the Put Option Agreement transaction, Toshiba Corporation purchase of such 3% stake, was completed on 17 May 2017.

The smallest and largest group in which the results of the company are consolidated is that headed by Toshiba Corporation, a company incorporated in Japan. No other group financial statements include the results of the company. The company is exempt under section 401of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Toshiba Corporation.

The consolidated financial statements of the group are available to the public and may be obtained from the Head Office of the Toshiba Corporation in Japan. The head office address is Toshiba, 1-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8001, Japan.

### 22. Non adjusting events after the financial year

On 27 July 2017 Gaenor Prest resigned as a director.

On 2 October 2017, Kazatomprom exercised its put option and plans to sell its shares in TNEH UK to Toshiba on 1 January 2018, at which point, Toshiba will own 100% of the Company. The owners have entered into Shareholders Agreements for TNEH UK (UK Shareholders Agreement), which define the owners' rights and obligations with respect to capitalisation, management, control, dividends, shareholdings and certain other matters relating to TNEH UK.