

PACIFIC NUCLEAR TRANSPORT LIMITED

**REPORT
OF THE DIRECTORS
AND
STATEMENT OF
ACCOUNTS
1994 / 1995**



PACIFIC NUCLEAR TRANSPORT LIMITED

PACIFIC NUCLEAR TRANSPORT LIMITED

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PACIFIC NUCLEAR TRANSPORT LIMITED

BOARD OF DIRECTORS

L N Chamberlain	Chairman
J P Giraud	Vice Chairman
J Mukai	Vice Chairman
M W Westcott	
P H Readle	
C Loughlin	
M Yamada	
G L Watts	

Secretary	D R Symonds
Registered Office	Risley, Warrington, WA3 6AS
Auditors	Ernst & Young Commercial Union House Albert Square Manchester M2 6LP
Bankers	National Westminster Bank plc 55 King Street Manchester M60 2DB
Solicitors	Freshfields Whitefriars 65 Fleet Street London EC4Y 1HT

PACIFIC NUCLEAR TRANSPORT LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 1995

1. The Directors of Pacific Nuclear Transport Limited have pleasure in presenting their Annual Directors' Report, together with the Audited Accounts for the year ended 31 March 1995.

2. The full accounts of the Group are set out on pages 8 to 21 and include, on a consolidated basis, the accounts of Seabird KK.

3. Main Activity

The Group's main activity is to provide transport services between Japan and Europe, in respect of irradiated fuel arising from electrical power utilities in Japan.

4. Review of Business

The Group's Trading income for 1994/95 was derived mainly from the provision of transport services for irradiated fuel from Japan, accounting for 96% of total Turnover (1993/94 96%). Income from Flask Hire Contracts and Miscellaneous Transport Services represented the remaining 4% (1993/94 4%).

PNTL vessels completed 6 voyages during the year and transported 202 tes of irradiated fuel to the UK and France (1993/94 376 tes).

5. Research and Development

The Company is carrying out an ongoing work programme into safety measures, equipment and procedures in support of ship and flask operations and is also undertaking flask decommissioning studies.

6. Results and Dividends

Profit for the financial year amounts to £1.3M (1994 £2.1M). In the light of committed future business and the level of retained profits, the Directors recommend a final dividend of £5M (1994 £5M).

7. The Board of Directors

Mr T Suzuki (resigned 13 July 1994)
Mr J Mukai (appointed 20 July 1994)
Mr J M Hayles (resigned 2 August 1994)
Mr M W Westcott (appointed 2 August 1994)
Mr K G Jackson (resigned 1 October 1994)
Mr P H Readle (appointed 1 October 1994)

All other directors (listed on page 3) served throughout the year.
One third of the directors are due to retire by rotation at the forthcoming Annual General Meeting.

8. Directors' Interest

The Directors have no notifiable interest under Sections 324 and 325 of the Companies Act 1985 although Mr LN Chamberlain, Mr GL Watts and Mr C Loughlin were, during the year ended 31 March 1995, members of the Board of International Nuclear Fuels Limited (INFL), the majority shareholder of the Company. In addition, Mr LN Chamberlain and Mr GL Watts were, during the year ended 31 March 1995, members of the Board of British Nuclear Fuels plc (BNFL) which, in addition to being the ultimate holding company of Pacific Nuclear Transport Limited, has substantial contracts with the Company.

9. Auditors

A resolution to reappoint the Auditors, Ernst & Young, will be proposed at the Annual General Meeting, in accordance with Section 385 of the Companies Act.

By order of the Board



D R Symonds
Secretary

19th July 1995

PACIFIC NUCLEAR TRANSPORT LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
PREPARATION OF THE FINANCIAL STATEMENTS

The Directors are required to present, for each accounting period, financial statements which comply with the provisions of the Companies Act 1985 and give a true and fair view of the state of affairs of the Company and of the Group as at the end of the accounting period and of the profit or loss for that period. The Directors are also responsible for maintaining adequate accounting records so as to enable them to ensure the safeguarding of the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. In preparing the financial statements, the Directors confirm that suitable accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates and that a going concern basis is appropriate. Applicable accounting standards have been followed.

PACIFIC NUCLEAR TRANSPORT LIMITED

REPORT OF THE AUDITORS

To the members of Pacific Nuclear Transport Limited

We have audited the accounts on pages 8 to 21 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of Directors and Auditors

As described on page 6, the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion on those accounts, based on our audit, and to report our opinion to you.

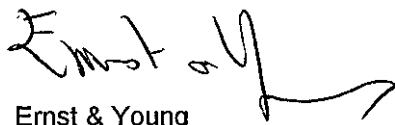
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 March 1995 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young

Chartered Accountants
Registered Auditor
Manchester

19th July 1995

PACIFIC NUCLEAR TRANSPORT LIMITED

ACCOUNTING POLICIES

1. The consolidated accounts include the accounts of Pacific Nuclear Transport Limited and its subsidiary company Seabird KK, both of which are made up to 31 March. The accounts have been prepared in accordance with applicable Accounting Standards and under the historical cost convention.
2. Turnover represents the invoiced value of services rendered to customers in so far as the voyage to which the service relates has been completed.

3. Deferred Expenditure

- a) Research and Development

- a) Research and Development expenditure, in connection with the provision of services for which firm orders have been received, is held as deferred expenditure for recovery over the shorter of ten years or the life of the existing contracts for the transport of irradiated fuel from Japan. Speculative Research and Development is written off as incurred.

- b) Flask Handling Facilities owned by Third Parties

- b) Expenditure relating to Flask Handling Facilities owned by Third Parties is held as deferred expenditure and written off over the shorter of ten years or the life of the existing contracts for the transport of irradiated fuel from Japan.

4. Fixed Assets

Depreciation is calculated to write off the historic cost of assets over the period assessed as their useful life. Provision is not made for depreciation of assets in course of construction. The rates used for depreciation purposes are: ships 10%-12% and flasks 10%-18%.

Provision is made for decontamination and disposal of assets over their useful lives where it is considered that future costs are not recoverable from customers by way of a specific charge. The provision is expressed at current price levels and is based on an assessment of processes and methods likely to be used in future.

5. Uncompleted Voyages

Costs related to uncompleted voyages are carried forward. Provision is made for any loss expected to arise on such voyages.

6. Pension Costs

The estimated regular cost of providing benefits under defined benefit pension schemes is charged to the profit and loss account in the period in which benefits are earned on the basis of independent actuarial advice. Variations from regular cost are charged or credited to the profit and loss account over the average remaining service life of the scheme members.

Any difference between pension costs charged to the profit and loss account and contributions payable is recorded as an asset or liability in the balance sheet.

7. Deferred Taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future year without being replaced, calculated at the rate which it is anticipated the timing differences will reverse.

8. Foreign Currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the Balance Sheet date. All differences are taken to the profit and loss account.

Group

The profit and loss account of Seabird KK is translated on the basis of individual transactions at the rate ruling at the date of each transaction. The Balance Sheet is translated at the rate ruling at the Balance Sheet date. All translation differences are taken to the exchange reserve.

PACIFIC NUCLEAR TRANSPORT LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1995

	<u>Note Ref</u>	1995 ----- £000	1994 ----- £000
Turnover	1 & 2	30,055	37,117
Less Operating Costs and Expenses	3	28,018	34,224
Operating Profit	2	2,037	2,893
Profit on Disposal of Fixed Assets	5	-	-
Net Interest Received	6	375	243
Profit on Ordinary Activities before Tax		2,412	3,136
Less Tax on Profit on Ordinary Activities	7	1,119	1,026
Profit for the Financial Year		1,293	2,110
Less Dividends Payable		5,000	5,000
Loss for the Year		(3,707)	(2,890)
		=====	=====

RECOGNISED GAINS & LOSSES

Recognised gains and losses comprise the profit for the financial year of £1,293K (1994 £2,110K) and currency translation differences on net investments of £ 1 K (1994 Nil).

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 MARCH 1995

	1995 ----- £000	1994 ----- £000
Profit for the Financial Year	1,293	2,110
Dividends	(5,000)	(5,000)
Add Unrealised Exchange Gains on Currency Conversion	1	-
Net Addition to Shareholders' Funds	(3,706)	(2,890)
Opening Shareholders' Funds	8,651	11,541
Closing Shareholders' Funds	4,945	8,651
	=====	=====

PACIFIC NUCLEAR TRANSPORT LIMITED

BALANCE SHEETS

AS AT 31 MARCH 1995

	<u>Note Ref</u>	Group 1995 £000	Group 1994 £000	Parent 1995 £000	Parent 1994 £000
FIXED ASSETS :					
Tangible Assets	9	4,419	10,213	4,419	10,213
Intangible Assets	10	438	784	438	784
Investments	11	-	-	2	2
		-----	-----	-----	-----
		4,857	10,997	4,859	10,999
CURRENT ASSETS :					
Voyages in Progress	12	860	-	860	-
Debtors	13	1,164	3,796	1,164	3,796
Investments (Short Term Deposits)		9,060	5,413	9,060	5,413
Cash at bank and in hand		552	1,008	540	997
		-----	-----	-----	-----
		11,636	10,217	11,624	10,206
Less Creditors ; amounts falling due within one year	14	11,515	10,891	11,515	10,891
		-----	-----	-----	-----
Net Current Assets / (Liabilities)		121	(674)	109	(685)
		-----	-----	-----	-----
		4,978	10,323	4,968	10,314
		=====	=====	=====	=====
FINANCED BY :					
Creditors ; amounts falling due after more than one year	15	-	1,062	-	1,062
Provisions for liabilities and charges	16	33	610	33	610
CAPITAL AND RESERVES :					
Called up Share Capital	17	2,000	2,000	2,000	2,000
Profit and Loss Account	18	2,924	6,631	2,935	6,642
Unrealised Exchange Differences on Consolidation	19	21	20	-	-
		-----	-----	-----	-----
Total Shareholders' Funds		4,945	8,651	4,935	8,642
		-----	-----	-----	-----
		4,978	10,323	4,968	10,314
		=====	=====	=====	=====

On behalf of the Board of Directors



19th July 1995

PACIFIC NUCLEAR TRANSPORT LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 1995

	<u>Note Ref</u>	<u>1995</u> £000	<u>1994</u> £000
Net Cash Flow from Operating Activities	20	10,708	7,327
Returns on Investment and Servicing of finance:-			
Interest Received		460	529
Interest Paid		(140)	(312)
Dividends Paid :-			
Holding Company		(3,125)	(3,125)
Minority		(1,875)	(1,875)
Net Cash Outflow from Returns on Investments and Servicing of finance		(4,680)	(4,783)
Taxation :-			
Corporation Tax Paid (including ACT)		(2,198)	(2,435)
Investing Activities :-			
Purchase of Tangible Fixed Assets		(10)	(185)
Increase in Deferred Expenditure		(52)	(49)
Interim receipt of Insurance Claim for Damaged Flask		486	990
Net Cash Inflow from Investing activities		424	756
Net Cash Inflow before Financing		4,254	865
Financing :-			
Repayment of Loans	21	-	(1,637)
Repayment of Long Term Credit	21	(1,063)	(1,062)
Net cash Outflow from Financing		(1,063)	(2,699)
(Increase) / Decrease in Cash and Equivalents	22	(3,191)	1,834
		(4,254)	(865)

PACIFIC NUCLEAR TRANSPORT LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

Turnover represents the provision of services to British Nuclear Fuels plc in support of contractual obligations to transport irradiated fuel from Japan.

Turnover and operating profit materially arises from sources and destinations in the UK.

2. Continuing Operations

Turnover and operating profit for the year all arise from continuing operations.

3. Operating Costs and Expenses

	1995	1994
	-----	-----
	£000	£000
Employee costs (Note 4)	4,269	4,815
Depreciation	5,846	6,396
Write off of Deferred Expenditure	408	435
Auditors' Remuneration £6,690 (1994 £5,510)	7	6
Directors' Emoluments	23	23
Other Operating Costs and External Charges	18,054	22,243
Other Operating Income	(5)	(38)
	-----	-----
	28,602	33,880
(Increase) / Decrease in voyages in progress costs	(584)	344
	-----	-----
	28,018	34,224
	=====	=====

4. Employee Information

The average number of persons employed by the Company during the year was 180 (1994 212). This includes officers and crew of the ships but excludes Directors of the Company. All executive and administrative functions were undertaken by employees of British Nuclear Fuels plc and as such the costs are included in " Other operating costs and external charges " above.

	1995	1994
	-----	-----
	£000	£000
Wages and Salaries	3,794	4,270
Social Security Costs	191	215
Other Pension Costs	284	330
	-----	-----
	4,269	4,815
	=====	=====

Pensions

Seafarers employed by the Company are members, subject to choice and eligibility, of either The Merchant Navy Officers Pension Fund or the Merchant Navy Ratings Pension Fund. Both schemes are contributory industry-wide defined benefit schemes funded by payments to trusts which are independent of the participating employers.

Independent actuarial reviews of the schemes are carried out every three years for the purpose of determining industry-wide contribution rates. Contributions payable during the year were based upon the actuarial valuations at 31 March 1993 which were performed using the projected unit method. For the purpose of the valuation it was assumed that :

long-term salary growth would be between 6.5% and 7 % per annum ;
 long-term investment returns would be 9.5 % per annum ;
 increases to pensions in payment would be between 0% and 2.5% per annum ;
 and that funding deficits and surpluses should be spread over 10 years.

At 31 March 1993, the Merchant Navy Officers Pension Fund, Old and New sections were 100% and 121%, respectively funded on the projected unit basis and the Merchant Navy Ratings Pension Fund was 91% funded. As a result of maintaining existing contribution rates and changing benefit structures, it is expected that the Merchant Navy Ratings Pension Fund will return to 100% funding after eight years. The market value of scheme assets attributable to the group's employees cannot be identified in an industry-wide scheme.

In view of the above, the directors have concluded that contributions payable in the year represent a reasonable approximation of pension costs under the Company's accounting policy.

	1995	1994
	-----	-----
	£000	£000
5. <u>Profit on Disposal of Fixed Assets</u>		
Interim payment of insurance claim for damaged flask	490	990
Less amount to be refunded to BNFL	(490)	(990)
	-----	-----
	-	-
	=====	=====
6. <u>Interest</u>		
Interest receivable	513	532
Interest payable	(138)	(289)
	-----	-----
	375	243
	=====	=====
Analysis of interest payable		
Interest on Loans :-		
Repayable within 5 years	-	72
Interest on Long Term Credit :-		
Repayable within 5 years	136	215
	-----	-----
	136	287
Bank Interest	1	1
Adjustment of operating provisions to current price levels	1	1
	-----	-----
	138	289
	=====	=====

7. Taxation

	<u>See Note</u>	<u>1995</u> ----- £000	<u>1994</u> ----- £000
On the profits for the year			
UK Corporation Tax 33% (1994 33%)	14	2,167	2,275
(Over)/Under provision in previous years		(1)	(19)
Movement in deferred tax account	16	(1,047)	(1,230)
		-----	-----
Tax charge to P & L account		1,119	1,026
		=====	=====

8. Directors' Remuneration

	<u>1995</u> ----- £000	<u>1994</u> ----- £000
Fees	23	23
Other emoluments	-	-
	-----	-----
	23	23
	=====	=====
Emoluments of the Chairman and highest paid Director	£4,000	£4,000

The emoluments of all Directors fell in the range from Nil to £5,000.

No pension contributions were made on behalf of Directors.

Group and Parent			
9. <u>Tangible Assets</u>	<u>Equipment</u>	<u>Assets in Course of Construction</u>	<u>Total</u>
	£000	£000	£000
Costs at 1 April 1994	123,252	8	123,260
Acquisitions	-	52	52
Disposals	(65)	-	(65)
Transfers	60	(60)	-
Costs at 31 March 1995	123,247	-	123,247
Depreciation at 1 April 1994	113,047	-	113,047
Charge for the year	5,846	-	5,846
Disposals	(65)	-	(65)
Depreciation at 31 March 1994	118,828	-	118,828
Net Book Value at 31 March 1994	10,205	8	10,213
Net Book Value at 31 March 1995	4,419	-	4,419

Group and Parent			
10. <u>Intangible Assets - Deferred Expenditure</u>	<u>R & D</u>	<u>Flask Handling Facilities</u>	<u>Total</u>
	£000	£000	£000
Costs at 1 April 1994	4,881	2,454	7,335
Additions during the year	61	1	62
Costs at 31 March 1995	4,942	2,455	7,397
Write off at 1 April 1994	4,428	2,123	6,551
Charge for the year	242	166	408
Written off at 31 March 1995	4,670	2,289	6,959
Value 31 March 1994	453	331	784
Reduced Value 31 March 1995	272	166	438

11. Investments

	Group		Parent	
	1995	1994	1995	1994
	£000	£000	£000	£000
Group Undertakings				
Unquoted shares at cost	-	-	2	2
	=====	=====	=====	=====

The unquoted shares comprise investments in Seabird KK incorporated in Japan in 1991. PNTL holds 100% of the ordinary shares of Seabird KK. Seabird KK's main activity is to provide transport services, although the Company has not traded throughout the year.

12. Voyages in Progress

	Group and Parent	
	1995	1994
	£000	£000
Uncompleted Voyage costs	1472	888
Less Progress payments	(612)	(888)
	860	-
	=====	=====

13. Debtors

	Group		Parent	
	1995	1994	1995	1994
	£000	£000	£000	£000
Amounts due from BNFL	596	3,646	596	3,646
Other debtors	99	150	99	150
Deferred ACT	469	-	469	-
	1,164	3,796	1,164	3,796
	=====	=====	=====	=====

Deferred ACT is recoverable after one year.

14. Creditors: Amounts falling due within one year

	Group		Parent	
	1995	1994	1995	1994
	£000	£000	£000	£000
Current portion of long term credit	1,062	1,063	1,062	1,063
Trade Creditors	959	508	959	508
Amounts due to BNFL	2,305	2,085	2,305	2,085
Amounts due to INFL	3,125	3,125	3,125	3,125
Taxation				
- UK Corporation Tax	2,167	2,275	2,168	2,275
- Offset of ACT paid re 92/3 Dividend	(469)	(544)	(469)	(544)
- ACT Payable re 93/4 Dividend	469	469	469	469
- Other taxes	17	27	17	27
Dividends - Minorities	1,875	1,875	1,875	1,875
Accruals and Deferred Income	5	8	4	8
	11,515	10,891	11,515	10,891
	=====	=====	=====	=====

The amount due to INFL represents dividends payable of £3125K (1994 £3125K).

15. Creditors: Amounts falling due after one year

	Group and Parent	
	1995	1994
	£000	£000
Long term trade credit from supplier secured against 2 promissory notes falling due at six monthly intervals commencing 16 September 1995 - interest payable at 7.5% pa.	1,062	2,125
Less amounts repayable before 31 March 1996 included in creditors amounts falling due within one year.	1,062	1,063
	-	1,062
	=====	=====
of which the amount repayable after 5 years is :-	-	-
	=====	=====

16. Provision for Liabilities and Charges

a)	<u>Deferred Tax</u>	Group and Parent	
	The full potential liability to deferred taxation has been provided for in these accounts as follows :-	1995	1994
		£000	£000
	Excess of book written down value of fixed assets eligible for taxation capital allowances over the taxation written down values of those assets		
	Balance at 1 April 1994	1,047	2,277
	Movement	(1,047)	(1,230)
	Balance at 31 March 1995	-	1,047
	Less Recoverable UK Advance Corporation Tax	-	(469)
	Total	-	578
b)	<u>Flask Decontamination & Disposal</u>		
	Balance at 1 April 1994	32	21
	Increase during the year	1	11
	Balance at 31 March 1995	33	32
	Total Provision for Liabilities and Charges	33	610

17. Share Capital

Authorised share capital of Pacific Nuclear Transport Limited comprises 2,000,000 ordinary shares of £1 each, all of which have been issued and fully paid.

18.	<u>Profit and Loss Account</u>	Group	Parent
		£000	£000
	Balance at 1 April 1994	6,631	6,642
	Loss for the Year	(3,707)	(3,707)
	Balance at 31 March 1995	2,924	2,935

A separate Profit and Loss account for the Parent Company, Pacific Nuclear Transport Limited, has not been published as allowed under section 230 of the Companies Act 1985.

19.	<u>Unrealised Exchange Differences on Consolidation</u>	Group
		£000
	Balance at 1 April 1994	20
	Unrealised Exchange Differences for the Year	1
	Balance at 31 March 1995	21

20. <u>Reconciliation of operating profit to net cash flow from Operating Activities</u>	Group 1995	and Parent 1994
	£000	£000
Operating Profit	2,037	2,893
Depreciation	5,846	6,396
Write off Deferred Expenditure	408	435
Increase in Provisions	1	10
(Increase) / Decrease in Stocks	(860)	244
Decrease / (Increase) in Debtors/Accrued income	3,157	(1,349)
(Decrease) / Increase in Downpayments	-	(83)
Increase / (Decrease) in Creditors / Accruals	119	(1,219)
Net Cash Inflow from Operating Activities	10,708	7,327

21. <u>Analysis of changes in financing during the year</u>	1995	1994
	£000	£000
Loans :-		
Balance at 1 April 1994	-	1,637
Repayments During the year	-	(1,637)
Balance at 31 March 1995	-	-
Long Term Credit :-		
Balance at 1 April 1994	2,125	3,187
Repayments During the year	(1,063)	(1,062)
Balance at 31 March 1995	1,062	2,125

22. <u>Analysis of changes in Cash and Equivalents as shown in the Balance Sheet</u>	1995	1994	Change in Year
	£000	£000	£000
Cash at Bank	552	1,008	(456)
Short term Investments	9060	5,413	3,647
	9,612	6,421	3,191
	1994	1993	Change in Year
	£000	£000	£000
Cash at Bank	1,008	712	296
Short term Investments	5,413	7,543	(2,130)
	6,421	8,255	(1,834)

23. Capital Expenditure Authorised

Capital expenditure contracted for but not yet provided in the accounts amounts to £71K. (There was no capital authorised but not provided for in the 1994 accounts).

24. Holding Company

The immediate Holding Company is International Nuclear Fuels Limited, a company registered in England and Wales. The ultimate Holding Company is British Nuclear Fuels plc, a company registered in England and Wales. The accounts of both companies can be obtained from Risley, Warrington, Cheshire, WA3 6AS.