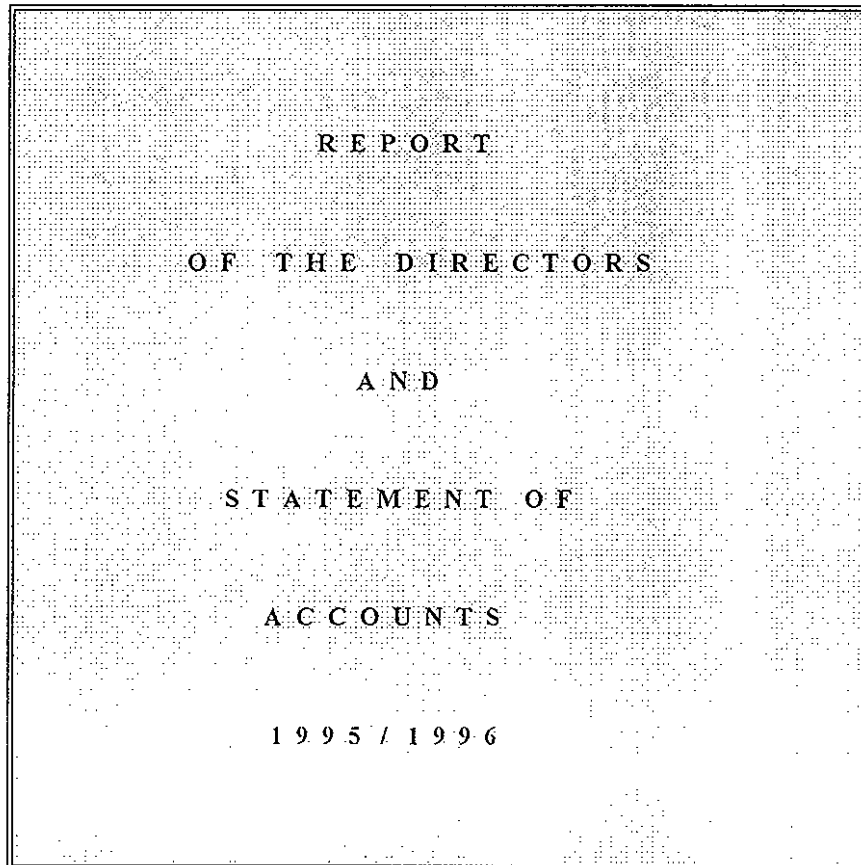
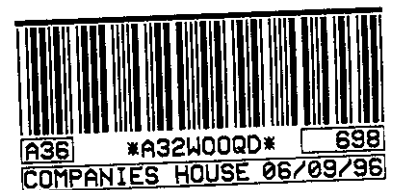


PACIFIC NUCLEAR TRANSPORT LIMITED



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
S Iwaba	Vice Chairman
J H S Laycock	
P H Readle	
C Loughlin	
K Yamana	
G L Watts	

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

PACIFIC NUCLEAR TRANSPORT LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 1996

1. The Directors of Pacific Nuclear Transport Limited, (PNTL), have pleasure in presenting their Annual Directors' Report, together with the audited accounts for the year ended 31 March 1996.

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 nuclear fuel, plutonium, uranium, products derived from reprocessing and other nuclear substances

4. **Review of Business**

The Group's trading income for 1995/96 was derived mainly from the provision of transport services for irradiated fuel from Japan, accounting for 96% of total turnover (1994/95 96%). Income from flask hire contracts and miscellaneous transport services represented the remaining 4% (1994/95 4%).

PNTL vessels completed 7 voyages during the year and transported 306 tes of irradiated fuel to the UK and France (1994/95 202 tes).

The first consignment for the return of HAW to Japan was successfully completed during the year.

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 recycling studies.

**6. Results and Dividends**

Loss for the financial year amounts to £31K (1995 £1,293K profit). In the light of committed future business and the level of retained profits, the Directors recommend a final dividend of £1.5M (1995 £5M).

**7. The Board of Directors**

Mr J Mukai (resigned 11 July 1995)  
Mr S Iwaba (appointed 19 July 1995)  
Mr M Yamada (resigned 28 September 1995)  
Mr K Yamana (appointed 28 September 1995)  
Mr M W Westcott (resigned 19 July 1995)  
Mr J H S Laycock (appointed 19 July 1995)

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' Interests**

The Directors have no notifiable interests under Sections 324 and 325 of the Companies Act 1985 although Mr LN Chamberlain, Mr GL Watts, Mr C Loughlin, Mr P Readle and Mr JHS Laycock were, during the year ended 31 March 1996, 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 1996, 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

24th July 1996

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.

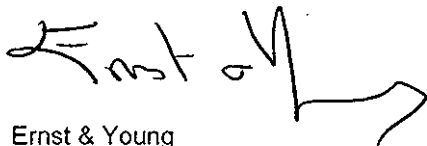
Basis of opinion

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 1996 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

24th July 1996

## 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**

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**

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**

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 fixed assets over the period assessed as their useful life. Provision is not made for depreciation of fixed assets in course of construction. The rates used for depreciation purposes are:

ships 10%-12%  
flasks 10%-18%.

Provision is made for decontamination and disposal of fixed 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 1996

	<u>Note Ref</u>	<u>1996</u> £000	<u>1995</u> £000
Turnover	1 & 2	31,699	30,055
Less Operating Costs and Expenses	3	30,057	28,018
Operating Profit	2	1,642	2,037
Net Interest Received	6	552	375
Profit on Ordinary Activities before Tax		2,194	2,412
Less Tax on Profit on Ordinary Activities	7	2,225	1,119
(Loss)/Profit for the Financial Year		(31)	1,293
Less Dividends Payable		1,500	5,000
Loss for the Year		(1,531)	(3,707)

RECOGNISED GAINS & LOSSES

FOR THE YEAR ENDED 31 MARCH 1996

Recognised gains and losses comprise the loss for the financial year of £ 31K (1995 £1,293K profit) and currency translation differences on net investments of £(3)K ( 1995 £1K).

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 MARCH 1996

	<u>1996</u> £000	<u>1995</u> £000
(Loss)/Profit for the Financial Year	(31)	1,293
Dividends	(1,500)	(5,000)
Add Unrealised Exchange Gains on Currency Conversion	(3)	1
Net Addition to Shareholders' Funds	(1,534)	(3,706)
Opening Shareholders' Funds	4,945	8,651
Closing Shareholders' Funds	3,411	4,945

PACIFIC NUCLEAR TRANSPORT LIMITED

BALANCE SHEETS

AS AT 31 MARCH 1996

	Note Ref	Group		Parent	
		1996 £000	1995 £000	1996 £000	1995 £000
FIXED ASSETS :					
Tangible Assets	9	-	4,419	-	4,419
Intangible Assets	10	-	438	-	438
Investments	11	-	-	62	2
		-	4,857	62	4,859
CURRENT ASSETS :					
Voyages in Progress	12	649	860	649	860
Debtors	13	1,300	1,164	1,300	1,164
Investments (Short Term Deposits)		6,529	9,060	6,529	9,060
Cash at bank and in hand		289	552	221	540
		8,767	11,636	8,699	11,624
Less Creditors ; amounts falling due within one year	14	5,322	11,515	5,322	11,515
Net Current Assets		3,445	121	3,377	109
		3,445	4,978	3,439	4,968
FINANCED BY :					
Provisions for liabilities and charges	16	34	33	34	33
CAPITAL AND RESERVES :					
Called up Share Capital	17	2,000	2,000	2,000	2,000
Profit and Loss Account	18	1,393	2,924	1,405	2,935
Unrealised Exchange Differences on Consolidation	19	18	21	-	-
Total Shareholders' Funds		3,411	4,945	3,405	4,935
		3,445	4,978	3,439	4,968

*J H S Laycock*

J H S Laycock  
On behalf of the Board of Directors

24th July 1996

PACIFIC NUCLEAR TRANSPORT LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 1996

	<u>Note Ref</u>	1996 £000	1995 £000
Net Cash Flow from Operating Activities	20	6,584	10,708
Returns on Investment and Servicing of finance:-			
Interest Received		648	460
Interest Paid		(61)	(140)
Dividends Paid :-			
Holding Company		(3,125)	(3,125)
Minority		(1,875)	(1,875)
Net Cash Outflow from Returns on Investments and Servicing of finance		(4,413)	(4,680)
Taxation :-			
Corporation Tax Paid (including ACT)		(2,170)	(2,198)
Investing Activities :-			
Purchase of Tangible Fixed Assets		(144)	(10)
Increase in Deferred Expenditure		(115)	(52)
Receipt of Insurance Claim for Damaged Flask		327	486
Less amounts paid to BNFL		(1,801)	-
Net Cash Inflow from Investing activities		(1,733)	424
Net Cash Inflow before Financing		(1,732)	4,254
Financing :-			
Repayment of Long Term Credit	21	(1,062)	(1,063)
Net cash Outflow from Financing		(1,062)	(1,063)
Decrease/(Increase) in Cash and Equivalents	22	2,794	(3,191)
		1,732	(4,254)

# 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

	<u>1996</u>	<u>1995</u>
	£000	£000
Employee costs (Note 4)	4,618	4,269
Depreciation	4,708	5,846
Write off of deferred expenditure	537	408
Auditor's remuneration £6,800 (1995 £6,690)	7	7
Directors' emoluments	23	23
Other operating costs and external charges	19,361	18,054
Other Operating Income	(20)	(5)
	<hr/> 29,234	<hr/> 28,602
Decrease / (Increase) in voyages in progress costs	823	(584)
	<hr/> 30,057	<hr/> 28,018

### 4. Employee Information

The average number of persons employed by the Company during the year was 187 (1995 180). 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.

	<u>1996</u>	<u>1995</u>
	£000	£000
Wages and Salaries	4,098	3,794
Social Security Costs	311	284
Other Pension Costs	209	191
	<hr/> 4,618	<hr/> 4,269

## 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.

	<u>1996</u>	<u>1995</u>
	£000	£000
<b>5. Insurance Claim on Fixed Asset</b>		
Final receipt of insurance claim for damaged flask	321	490
Less amount to be refunded to BNFL	(321)	(490)
	-	-
<b>6. Interest</b>		
Interest receivable	609	513
Interest payable	(57)	(138)
	552	375
Analysis of interest payable		
Interest on Loans :-		
Repayable within 5 years	56	-
Interest on Long Term Credit :-		
Repayable within 5 years	-	136
	56	136
Bank Interest	-	1
Adjustment of operating provisions to current price levels (Note 16)	1	1
	57	138

7. **Taxation**

	<u>See Note</u>	<u>1996</u> £000	<u>1995</u> £000
On the profits for the year			
UK Corporation Tax 33% (1995 33%)	14	1,907	2,167
(Over)/Under provision in previous years - damaged flask	14	316	(1)
(Over)/Under provision in previous years - other		2	-
Movement in deferred tax account		-	(1,047)
Tax charge to P & L account		<u>2,225</u>	<u>1,119</u>

The taxation charge to the Profit & Loss Account is greater than 33% of taxable profits for the following reasons:-

- a) an under provision of £316K in previous years arising from the insurance claim for the damaged flask,
- b) an increase in the deferred taxation asset of £1.3M. The deferred taxation asset which arises from differences between the depreciation charged to the P&L Account and Capital Allowances is not recognised in the Accounts in line with generally accepted accounting practice.

8. **Directors' Remuneration**

	<u>1996</u> £000	<u>1995</u> £000
Fees	23	23
Other emoluments	-	-
	<u>23</u>	<u>23</u>
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. Tangible Assets	<u>Equipment</u>	<u>Total</u>
	£000	£000
Costs at 1 April 1995	123,247	123,247
Acquisitions	289	289
Disposals	-	-
Transfers	-	-
Costs at 31 March 1996	<u>123,536</u>	<u>123,536</u>
Depreciation at 1 April 1995	118,828	118,828
Charge for the year	4,708	4,708
Disposals	-	-
Depreciation at 31 March 1996	<u>123,536</u>	<u>123,536</u>
Net Book Value at 31 March 1995	4,419	4,419
Net Book Value at 31 March 1996	<u>-</u>	<u>-</u>

Group and Parent

10. Intangible Assets - Deferred expenditure	<u>R &amp; D</u>	<u>Flask Handling Facilities</u>	<u>Total</u>
	£000	£000	£000
Costs at 1 April 1995	4,942	2,455	7,397
Additions during the year	99	-	99
Costs at 31 March 1996	<u>5,041</u>	<u>2,455</u>	<u>7,496</u>
Write off at 1 April 1995	4,670	2,289	6,959
Charge for the year	371	166	537
Written off at 31 March 1996	<u>5,041</u>	<u>2,455</u>	<u>7,496</u>
Value 31 March 1995	272	166	438
Reduced Value 31 March 1996	<u>-</u>	<u>-</u>	<u>-</u>



11. Investments

	Group		Parent	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£000	£000	£000	£000
Group Undertakings				
Unquoted shares at cost	-	-	62	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	
	<u>1996</u>	<u>1995</u>
	£000	£000
Uncompleted voyage costs	649	1,472
Less progress payments	-	(612)
	<u>649</u>	<u>860</u>

13. Debtors

	Group and Parent	
	<u>1996</u>	<u>1995</u>
	£000	£000
Amounts due from BNFL	1,093	596
Other debtors	66	99
Deferred ACT	141	469
	<u>1,300</u>	<u>1,164</u>

Deferred ACT is recoverable after one year.

14. **Creditors :** Amounts falling due within one year

	Group and Parent	
	<u>1996</u>	<u>1995</u>
	£000	£000
Current portion of long term credit (Note 15)	-	1,062
Trade Creditors	840	959
Amounts due to BNFL	1,076	2,305
Amounts due to INFL	938	3,125
Taxation		
- UK Corporation Tax	2,223	2,168
- Offset of ACT paid re 94/5 Dividend	(469)	(469)
- ACT Payable re 95/6 Dividend	141	469
- Other taxes	7	17
Dividends - Minorities	562	1,875
Accruals and Deferred Income	4	4
	<hr/> 5,322	<hr/> 11,515
	<hr/>	<hr/>

The amount due to INFL represents dividends payable of £938K (1995 £3125K).

15. **Long term trade credit**

	Group and Parent	
	<u>1996</u>	<u>1995</u>
	£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
	<hr/>	<hr/>

16. **Provision for Liabilities and Charges**

Flask Decontamination & Disposal

	Group and Parent <u>1996</u>	<u>1995</u>
	£000	£000
Balance at 1 April 1995	33	32
Adjustment to reflect current price levels	1	1
Balance at 31 March 1996	<u>34</u>	<u>33</u>

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. **Profit and Loss Account**

	Group <u>1996</u>	Parent <u>1996</u>
	£000	£000
Balance at 1 April 1995	2,924	2,935
Loss for the Year	(1,531)	(1,530)
Balance at 31 March 1996	<u>1,393</u>	<u>1,405</u>

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. **Unrealised Exchange Differences on Consolidation**

	Group <u>1996</u>
	£000
Balance at 1 April 1995	21
Unrealised exchange differences for the year	(3)
Balance at 31 March 1996	<u>18</u>

20. Reconciliation of operating profit to net cash flow from Operating Activities

	Group	
	<u>1996</u>	<u>1995</u>
	£000	£000
Operating Profit	1,642	2,037
Depreciation	4,708	5,846
Write off Deferred Expenditure	537	408
Increase in Provisions	1	1
Decrease / (Increase) in Stocks	211	(860)
(Increase) / Decrease in Debtors/Accrued income	(503)	3,157
(Decrease) / Increase in Creditors / Accruals	(12)	119
Net Cash Inflow from Operating Activities	<u>6,584</u>	<u>10,708</u>

21. Analysis of changes in financing during the year

	<u>1996</u>	<u>1995</u>
	£000	£000
Long Term Credit :-		
Balance at 1 April 1995	1,062	2,125
Repayments During the year	(1,062)	(1,063)
Balance at 31 March 1996	<u>-</u>	<u>1,062</u>

22. Analysis of changes in Cash and Equivalents as shown in the Balance Sheet

	<u>1996</u>	<u>1995</u>	<u>Change in Year</u>
	£000	£000	£000
Cash at Bank	289	552	(263)
Short term Investments	6,529	9,060	(2,531)
	<u>6,818</u>	<u>9,612</u>	<u>(2,794)</u>

	<u>1995</u>	<u>1994</u>	<u>Change in Year</u>
	£000	£000	£000
Cash at Bank	552	1,008	(456)
Short term Investments	9,060	5,413	3,647
	<u>9,612</u>	<u>6,421</u>	<u>3,191</u>

**23. Capital Expenditure Authorised**

There was no capital expenditure contracted for but not yet provided in the accounts. (1995 £71K).

**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.