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DEVA MANUFACTURING SERVICES LIMITED

Registered No. 2763400

ANNUAL REPORT AND ACCOUNTS

31 March 2002



Deva Manufacturing Services Limited

DIRECTORS

D Millington (Chairman)

E J Williamson

S Jee

SECRETARY

C S Reid

AUDITORS

Ernst & Young LLP

100 Barbirolli Square

Manchester

M2 3EY

BANKERS

National Westminster Bank Plc

Spring Gardens

Manchester

M60 2DB

REGISTERED OFFICE

Risley

Warrington

Cheshire

WA3 6AS

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 March 2002.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £226,000 (2001 loss of £59,000).

The Directors do not recommend a final dividend (2001 £nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company's principal activities during the year continued to be the fabrication of stainless steel containers for the nuclear industry. In accordance with the Group's current strategy the Company will in the next 12 months focus on maintaining cost effectiveness.

DIRECTORS

The Directors who served during the year were as follows:

D Millington (Chairman)	
W Heafield	(resigned 21 November 2001)
S Jee	
E J Williamson	(appointed 4 March 2002)

There are no Directors' interests requiring disclosure under the Companies Act 1985.

ELECTIVE RESOLUTIONS

The Company has elected to dispense with the holding of Annual General Meetings pursuant to Section 366A of the Companies Act 1985.

The Company has elected to dispense with the appointment of Auditors pursuant to Section 386 of the Companies Act 1985.

The Company has elected to dispense with the laying of accounts and reports before the company in general meeting pursuant to Section 252 of the Companies Act 1985.

By order of the Board



C S Reid
Company Secretary
18 October 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which 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 those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the accounts comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DEVA MANUFACTURING LIMITED

We have audited the company's financial statements for the year ended 31 March 2002 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

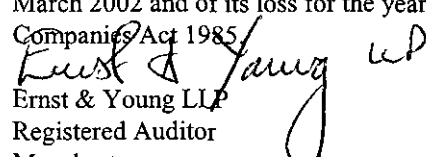
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
Manchester

18 October 2002

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2002

		2002		2001	
		Operations before exceptional items	Exceptional Items	Total	Total (no exceptional items)
	Notes	£000	£000	£000	£000
TURNOVER	2	5,103	-	5,103	5,720
Net operating costs and expenses	3	(4,797)	(612)	(5,409)	(5,765)
OPERATING PROFIT/(LOSS)		306	(612)	(306)	(45)
Other interest receivable and similar income	6	87	-	87	85
Interest payable and similar charges	7	(93)	-	(93)	(124)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		300	(612)	(312)	(84)
Tax credit on loss on ordinary activities	8	86	-	86	25
RETAINED PROFIT/(LOSS) FOR THE YEAR		386	(612)	(226)	(59)

There are no recognised gains or losses other than the loss of £226,000 for the year ended 31 March 2002, and the loss of £59,000 for the year ended 31 March 2001.

BALANCE SHEET
at 31 March 2002

	<i>Notes</i>	2002 £000	2001 £000
FIXED ASSETS			
Tangible assets	9	1,449	1,994
CURRENT ASSETS			
Stocks	10	335	666
Debtors	11	737	1,184
Cash at bank and in hand		667	1,832
		1,739	3,682
CREDITORS: Amounts falling due within one year	12	(3,372)	(5,286)
NET CURRENT LIABILITIES		(1,633)	(1,604)
TOTAL ASSETS LESS CURRENT LIABILITIES		(184)	390
CREDITORS: Amounts falling due after more than one year	13	(794)	(1,281)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(225)	(86)
NET LIABILITIES		(1,203)	(977)
CAPITAL AND RESERVES			
Called up share capital	15	1,000	1,000
Profit and loss account	16	(2,203)	(1,977)
SHAREHOLDERS' FUNDS - EQUITY		(1,203)	(977)

For and on behalf of the Board of Directors



Director
18 October 2002

NOTES TO THE ACCOUNTS

at 31 March 2002

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Going concern

The accounts have been prepared under the going concern convention. The directors are of the opinion that this is appropriate as the parent company, British Nuclear Fuels Plc, has confirmed that it will continue to provide financial support to the company for at least one year from the date of signing the accounts.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provision for diminution in value. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Depreciation is provided on all tangible fixed assets, except assets in course of construction, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Fixtures and fittings	-	10% - 20% straight line
Plant and machinery	-	10% straight line
Computer equipment	-	25% - 33% straight line
Jigs and fixtures	-	10% - 25% straight line

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments over the period related assets are depreciated. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition and, where appropriate, attributable overheads based on a normal level of activity. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Research and development

Research and development expenditure on projects not specifically recoverable directly from customers is written off as incurred.

Repairs and maintenance

Repairs and maintenance are expensed as occurred.

Deferred taxation

FRS19 'Deferred taxation' was issued on 7 December 2000 and is mandatory for years ending on or after 23 January 2002. A prior year adjustment was not required to implement this change in accounting policy as there was no unprovided deferred taxation in 2001 before the implementation of FRS19.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all

available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying time differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

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 translated at the rate of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet. The interest element of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The Company operates a defined benefit pension scheme which requires contributions to be made to a separately administered fund. The contributions to this fund are based on independent actuarial valuations designed to secure the benefits as set out in the rules. Contributions are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Company. The regular cost is attributed to individual years using a projected unit credit method. Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated financial statements.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to one continuing activity, the fabrication of stainless steel containers. The source and destination of all turnover is the UK.

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

3. NET OPERATING COSTS AND EXPENSES

Net operating costs and expenses
include:

	2002		2001	
	Total	Exceptional	Before	Total
	£000	Items	Exceptional	£000
		£000	Items	
			£000	
Raw materials and consumables	2,132	-	2,132	2,503
Employee costs (see note 4)	1,464	-	1,464	1,819
Depreciation - owned fixed assets	109	-	109	250
Depreciation - finance lease and hire purchase assets	436	-	436	371
Auditors' remuneration - audit services	-	-	-	6
Operating lease rentals - other	188	-	188	188
Changes in stocks of finished goods and WIP	315	-	315	(100)
Research and development	3	-	3	20
Other external and operating charges	161	-	161	719
Deferred Government grants released	(11)	-	(11)	(11)
Severance Costs	612	612	-	-
	5,409	612	4,797	5,765

Exceptional items consist of severance costs due to company restructuring

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

4. EMPLOYEE INFORMATION (including Executive Directors)

The average weekly number of employees during the year was as follows:

	2002 No.	2001 No.
Industrial	49	59
Non-industrial	8	7
	<hr/> 57	<hr/> 66

Employee costs during the year were as follows:

	2002 £000	2001 £000
Wages and salaries	1,283	1,534
Social security costs	90	108
Pension costs	91	177
	<hr/> 1,464	<hr/> 1,819

5. DIRECTORS' EMOLUMENTS

	2002 £000	2001 £000
Aggregate emoluments	-	21
	<hr/>	<hr/>

There are no retirement benefits accruing to Directors (2001 £nil) under the company's defined benefit scheme.

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £000	2001 £000
Bank interest	87	85
	<hr/>	<hr/>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £000	2001 £000
Finance charges payable under finance leases	93	124
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	2002	2001
	£000	£000
Corporation tax	-	28
Deferred taxation	(126)	(53)
Advance corporation tax	40	-
	<hr/>	<hr/>
	(86)	(25)
	<hr/>	<hr/>

The tax charge for the year is less than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2002	2001
	£000	£000
Loss on ordinary activities before taxation	(312)	(84)
Expected tax charge at 30%	(94)	(25)
Effects of :		
Expenses not deductible for corporation tax purposes	-	-
Non taxable income	(24)	-
Group relief not paid for	(1)	-
Deferred Tax asset not recognised	(7)	-
Deferred Tax Provision	86	53
ACT not recoverable	40	-
	<hr/>	<hr/>
Actual current tax for the year	-	28
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

9. TANGIBLE FIXED ASSETS

	Plant & machinery £000	Fixtures & fittings £000	Computing equipment £000	Total £000
Cost				
At 1 April 2001 and 31 March 2002	5,319	146	61	5,526
Total	5,319	146	61	5,226
Depreciation				
At 1 April 2001	3,347	128	57	3,532
Charge for year	535	6	4	545
At 31 March 2002	3,882	134	61	4,077
Net book value				
At 31 March 2002	1,437	12	-	1,449
At 31 March 2001	1,972	18	4	1,994
Leased assets net book value included above:				
31 March 2002	830	-	-	830
31 March 2001	1,266	-	-	1,266

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

10. STOCKS

	2002	2001
	£000	£000
Raw materials and consumables	157	173
Work in progress	178	493
	<hr/>	<hr/>
	335	666
	<hr/>	<hr/>

11. DEBTORS

	2002	2001
	£000	£000
Trade debtors	-	48
Amounts owed by Group Undertakings	594	972
Prepayments and accrued income	95	161
Other debtors	48	3
	<hr/>	<hr/>
	737	1,184
	<hr/>	<hr/>

12. CREDITORS: amounts falling due within one year

	2002	2001
	£000	£000
Trade creditors	280	276
Amounts owed to Group Undertakings	2,500	4,162
Group relief payable	-	28
Other taxes and social security costs	82	219
Finance leases and hire purchase obligations	476	444
Accruals and deferred income	19	130
Payments received on account	15	15
Other creditors	-	12
	<hr/>	<hr/>
	3,372	5,286
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

13. CREDITORS: amounts falling due after more than one year

	2002 £000	2001 £000
Finance leases and hire purchase obligations	772	1,248
Deferred capital grants	22	33
	<hr/> 794	<hr/> 1,281

Finance leases and hire purchase contracts:

	2002 £000	2001 £000
Amounts payable:		
Within one year	476	444
Within two to five years	772	1,248
	<hr/> 1,248	<hr/> 1,692

14. PROVISIONS FOR LIABILITIES AND CHARGES

A summary of the provisions for liabilities and charges is as follows

	Deferred Tax £000 (note a)	Restructuring £000 (note b)	Total £000
Balance at 1 April 2001	86	-	86
Increase/(decrease) in the year			
Amounts used	(86)	-	(86)
Additional Provision	-	225	225
Balance at 31 March 2002	<hr/> -	<hr/> 225	<hr/> 225

a) Deferred Tax

	£000
At 1 April 2001	86
Current year credit	(126)
Other movements – ACT set off	40
	<hr/>
At 31 March 2002	<hr/> -

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

The amount of deferred tax provided in the financial statements and the potential amount not provided are:

	2002	2001	
	Provided £000	Unprovided £000	Provided £000
Capital allowances in advance of depreciation	-	15	91
Other timing differences	-	(74)	35
	<hr/>	<hr/>	<hr/>
	-	(59)	126
Less ACT set off	-	-	(40)
	<hr/>	<hr/>	<hr/>
	-	(59)	86

b) Restructuring

Restructuring costs are comprised of severance obligations. The amounts provided are based on best estimates of the severance costs of employees who have left under severance terms. The provision is discounted at a rate of 2.5%

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

15. SHARE CAPITAL

	2002	2001
	£000	£000
Authorised, allotted, called up and fully paid: 1 million ordinary shares of £1 each	1,000	1,000

16. RESERVES

	Profit and loss account £000
At 1 April 2001	(1,977)
Retained loss for the year	(226)
At 31 March 2002	(2,203)

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£000	£000
(Loss) for the financial year	(226)	(59)
Net (reduction) to shareholders' funds	(226)	(59)
Opening shareholders' funds	(977)	(918)
Closing shareholders' funds	(1,203)	(977)

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

18. CONTINGENT LIABILITIES

a. Annual commitments under non-cancellable operating leases are as follows:

	2002 £000	2001 £000
Operating leases which expire:		
Within one to two years		
Other	-	3
in two to five years		
Land and buildings	172	165
Other	14	9
	<hr/> 186	<hr/> 177

19. PENSIONS

The Company participates in the BNFL Group Pension Scheme which is a defined benefit (final salary) pension scheme and is available to all employees. The scheme is separately administered and is funded by contributions, partly from the employees and partly from the participating companies. The Company contributions are based on the results of independent actuarial triennial valuations using the projected unit credit method. Details of the full actuarial valuation of the scheme have been disclosed in the Group Accounts, which are publicly available from the address in note 20. Due to the Group nature of the scheme, the company is unable to identify its share of the underlying assets and liabilities of the scheme in a consistent and reasonable manner.

20. RELATED PARTY TRANSACTIONS

The ultimate holding company is British Nuclear Fuels plc, which is incorporated in Great Britain. Copies of the Group accounts of British Nuclear Fuels plc may be obtained from its registered office at Risley, Warrington, WA3 6AS. The Company is not included in any other Group accounts.

In the Directors' opinion, the Company's ultimate controlling party is Her Majesty's Government.

The Company, being a wholly owned subsidiary of British Nuclear Fuels plc has taken advantage of the exemption from the disclosure requirements as available in para. 3(c) of FRS8.