DEVA MANUFACTURING SERVICES LIMITED

Registered No. 2763400

ANNUAL REPORT AND ACCOUNTS

31 March 2006

DIRECTORS

S Jee
P Hamer (Chairman)
N Proud

SECRETARY
A J Shuttleworth

AUDITORS
Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

BANKERS
National Westminster Bank Plc
P.O. Box 305
Spring Gardens
Manchester
M60 2DB

REGISTERED OFFICE
1100 Daresbury Park
Daresbury
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DIRECTORS' REPORT

The Directors present their report and accounts for the financial year ended 31 March 2006.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £563,000 (2005: restated loss of £197,000).

The Directors do not recommend a dividend (2005: £nil).

PRINCIPAL ACTIVITIES

The Company's principal activities during the year continued to be the fabrication of stainless steel containers and associated equipment for the nuclear industry. In accordance with the Group's current strategy the Company will, in the next 12 months, focus on growing it's customer base and some diversification in support of some of the parent company's activities.

BUSINESS REVIEW

The Company had an excellent financial performance in the year, recording a growth in turnover of 36% from 2005. Especially pleasing was the growth in external (i.e. non BNFL group) turnover, which grew from 20% of 2005 turnover to 32% of 2006 turnover. Net margin for 2006 was 7.4% ((3%) in 2005). The Company was also able to repay £250,000 of the loan from British Nuclear Fuels plc during the year.

The Company's excellent safety record continued, as at 31st March 2006 there were 735 consecutive days since the last Lost Time Accident, and a concurrent reduction in TRIR (Total Recordable Incident Rate) and DACR (Days Away Case Rate) incidents. A Behavioural Safety course was also attended by all employees during the year.

Significant highlights of the year were the successful development of a new product for UKAEA Harwell and also the fact that all delivery and production targets were fully achieved.

During the year the Company also achieved accreditation for ISO14001.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company has continued its commitment to the Prompt Payers Code of Practice drawn up by the Conference of British Industry (CBI) with rigorous monitoring of payment performance. Copies of the Code are available from CBI, Centre Point, 103 New Oxford Street, London, WC1A 1DU. The Company's main payment terms are net monthly, however the Company has 60 day terms with its 2 principal suppliers. Suppliers are made aware of the terms of payment and the terms are settled when agreeing the details of each transaction. The average age of invoices outstanding at 31 March 2006 was 52 Days.

POLITICAL & CHARITABLE CONTRIBUTIONS

The Company made no political contributions during the year. Donations to UK charities amounted to £383.

DIRECTORS' REPORT (continued)

DIRECTORS

The Directors who served during the year were as follows:

S Jee	
P Hamer	appointed 1 April 2005
N Proud	appointed 1 April 2005
M Davies	appointed 1 April 2005, resigned 31 August 2006
J Edwards	resigned 1 April 2005

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains directors' and officers' liability insurance covering the defence costs of civil legal proceedings and the damages resulting from the unsuccessful defence of such proceedings except, in each case, to the extent that a Director or Officer acted fraudulently or dishonestly.

FINANCIAL INSTRUMENTS

The Company does not use financial instruments to manage financial risk. Financial risk for the group, of which this Company is a part, is managed by the ultimate parent company British Nuclear Fuels plc. Copies of their annual report can be obtained from the address given in note 20.

AUDITORS

Ernst & Young LLP are appointed as the Company's auditors.

In accordance with Section 234A of the Companies Act 1985, each of the above directors (excluding those who have resigned during the financial year):

- is not aware of any relevant audit information of which the Company's auditors are unaware; and
- has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 annual re-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

A J Shuttleworth
Company Secretary
2007
28 FEB 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year that 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 year. 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; and
- 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 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, 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 other transactions is not disclosed.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Manchester
23 March 2007

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2006

	Notes	2006 £000	Restated 2005 £000
TURNOVER	2	**8,028**	5,909
Net operating costs and expenses		**(7,431)**	(6,087)
OPERATING PROFIT / (LOSS)	4	**597**	(178)
Interest payable and similar charges	7	**(5)**	(19)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		**592**	(197)
Tax on profit on ordinary activities	8	**(29)**	-
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		**563**	(197)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2006

	2006 £000	Restated 2005 £000
PROFIT / (LOSS) FOR THE FINANCIAL YEAR	**563**	(197)
Total gains and losses recognised in the financial year	**563**	(197)
Prior period adjustment (note 3)	**(167)**	-
TOTAL GAINS AND LOSSES RECOGNISED SINCE THE LAST ANNUAL REPORT AND ACCOUNTS	**396**	(197)

BALANCE SHEET
At 31 March 2006

	Notes	2006 £000	Restated 2005 £000
FIXED ASSETS			
Tangible assets	9	**1,069**	937
CURRENT ASSETS			
Stocks	10	**595**	632
Debtors (including deferred tax asset)	11	**800**	859
		1,395	1,491
CREDITORS: amounts falling due within one year	13	**(2,879)**	(3,557)
NET CURRENT LIABILITIES		**(1,484)**	(2,066)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(415)**	(1,129)
CREDITORS: amounts falling due after more than one year	14	**(474)**	(312)
PROVISIONS FOR LIABILITIES AND CHARGES	15	**(202)**	(213)
NET LIABILITIES		**(1,091)**	(1,654)
CAPITAL AND RESERVES			
Called up share capital	16	**1,000**	1,000
Profit and loss account	17	**(2,091)**	(2,654)
SHAREHOLDERS' FUNDS – EQUITY	18	**(1,091)**	(1,654)

These financial statements were approved by the Board of directors on 28 February 2007 and were signed on its behalf by:

Margaret Burns
Director

NOTES TO THE ACCOUNTS
At 31 March 2006

1. ACCOUNTING POLICIES

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

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.
In these financial statements the following new standards have been adopted for the first time:

- FRS 17 'Retirement benefits';
- FRS 21 'Events after the balance sheet date';
- FRS 25 'Financial instruments: disclosure and presentation';
- FRS 28 'Corresponding amounts'.

The adoption of FRS 17 'Retirement benefits' has resulted in the treatment noted below in the accounting policy post-retirement benefits, and consequently the prior year adjustment (see note 3). FRS 21 'Events after the balance sheet date' and FRS 25 'Financial instruments: disclosure and presentation' have had no effect on the Company's financial statements. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Fundamental accounting concept
The Company is dependent on continuing finance being made available by British Nuclear Fuels plc to enable it to meet its liabilities as they fall due. British Nuclear Fuels plc has agreed to provide sufficient funds to the Company for these purposes. The Directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

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% - 25% straight line
Computer equipment	-	25% - 33% straight line

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 costs are expensed as occurred.

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

1. ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, with the following exceptions:

- Deferred taxation assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing difference can be deducted;
- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose the replacement assets;
- Provision is made for the taxation that would arise on remittance of the retained earning of overseas subsidiaries only to the extent that at the balance sheet date, dividends have been accrued as receivable.

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.

Post-retirement benefits

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Cash flow statement

Under Financial Reporting Standard 1 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.

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

2. TURNOVER

Turnover is stated net of value added tax and is attributable to one continuing activity, the fabrication of stainless steel containers and associated equipment. The source and destination of all turnover is the UK.

3. PRIOR YEAR ADJUSTMENT

As explained in note 1, the Company has implemented FRS17 in these financial statements. The effect of the change in accounting policy, which is shown as a prior year adjustment, has been to reverse pension prepayments of £167,000 and charge this amount to the profit and loss account for the year ended 31 March 2005. The impact has been to increase the loss for the year ended 31 March 2005 by £167,000, with a corresponding reduction in net assets at that date.

4. OPERATING PROFIT / (LOSS)

Operating profit / (loss) is stated after charging :

	2006	2005
	£000	£000
Depreciation		
- owned fixed assets	**156**	161
- finance lease and hire purchase assets	**-**	154
Auditors' remuneration - audit services	**10**	7
Operating lease rentals - other	**172**	174
Research and development	**40**	20

5. EMPLOYEE INFORMATION (including Executive Directors)

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

	2006	2005
	No.	No.
Industrial	**62**	52
Non-industrial	**8**	8
	70	60

Employee costs during the year were as follows:

		Restated
	2006	2005
	£000	£000
Wages and salaries	**1,728**	1,439
Social security costs	**135**	123
Pension costs	**522**	498
	2,385	2,060

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

6. DIRECTORS' EMOLUMENTS

The Directors received no emoluments during the year (2005: £nil).

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £000	2005 £000
Bank interest	-	13
Other financing charges	5	6
	5	19

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge in period:

	2006 £000	2005 £000
Current tax	94	-
Deferred tax (note 12)	(65)	-
Tax on profit / (loss) on ordinary activities	29	-

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:

	2006 £000	2005 £000
Profit / (loss) on ordinary activities before taxation	592	(197)
Expected tax charge at 30% (2005: 30%)	178	(59)
Effects of:		
Expenses not deductible for tax purposes	1	1
Group relief transferred for nil consideration	-	(30)
(Accelerated) / decelerated capital allowances	(82)	90
Short term timing differences	(3)	(2)
Current tax	94	-

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

9. TANGIBLE FIXED ASSETS

	Plant & machinery	Fixtures & fittings	Computing equipment	Assets in course of construction	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2005	5,849	147	61	323	6,380
Additions	27	-	-	261	288
Transfers	277	-	7	(284)	-
At 31 March 2006	**6,153**	**147**	**68**	**300**	**6,668**
Depreciation					
At 1 April 2005	5,235	147	61	-	5,443
Charge for year	155	-	1	-	156
At 31 March 2006	**5,390**	**147**	**62**	**-**	**5,599**
Net book value					
At 31 March 2006	**763**	**-**	**6**	**300**	**1,069**
At 31 March 2005	614	-	-	323	937

10. STOCKS

	2006	2005
	£000	£000
Raw materials and consumables	**311**	353
Work in progress	**284**	279
	595	632

11. DEBTORS

		Restated
	2006	2005
	£000	£000
Trade debtors	**228**	329
Amounts owed by Group Undertakings	**438**	410
Prepayments and accrued income	**69**	65
Other debtors	**-**	55
Deferred tax asset (note 12)	**65**	-
	800	859

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

12. DEFERRED TAXATION

	Deferred taxation £000
Balance at 1 April 2005	-
Credit to the profit and loss account for the year	(65)
Balance at 31 March 2006	**(65)**

The deferred taxation asset relating to capital allowances in advance of depreciation is recognised due to the fact that it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing difference can be deducted. No deferred tax asset is recognised in relation to other timing differences due to the length of time they will take to reverse. No deferred tax asset was provided in 2005.

The elements of deferred taxation are as follows:

	2006 Provided £000	**2006 Unprovided £000**	2005 Unprovided £000
Capital allowances in advance of depreciation	**(65)**	-	(188)
Other timing differences	-	**(66)**	(17)
	(65)	**(66)**	(205)

13. CREDITORS: amounts falling due within one year

	2006 £000	2005 £000
Overdraft	-	361
Payments received on account	**89**	170
Trade creditors	**620**	849
Amounts owed to Group Undertakings	**1,844**	2,028
Other taxes and social security costs	**166**	49
Other creditors	**20**	28
Accruals and deferred income	**140**	72
	2,879	3,557

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

	2006 £000	2005 £000
Payments received on account	**474**	312

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

15. PROVISIONS FOR LIABILITIES AND CHARGES

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

	Restructuring £000
Balance at 1 April 2005	213
Utilisation	(16)
Charge to the profit and loss account in the year	5
Balance at 31 March 2006	**202**

Restructuring
Restructuring costs relate to 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% and will be utilised over a period of 27 years.

16. SHARE CAPITAL

	2006 £000	2005 £000
Authorised:		
1 million ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid:		
1 million ordinary shares of £1 each	**1,000**	1,000

17. RESERVES

	Profit and loss account £000
At 1 April 2005	(2,487)
Prior year adjustment (note 3)	(167)
Balance at 1 April 2005 restated	(2,654)
Profit for the year	563
At 31 March 2006	**(2,091)**

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

18. RECONCILIATION OF SHAREHOLDERS' FUNDS

	2006	Restated 2005
	£000	£000
Profit / (loss) for the financial year	**563**	(197)
Opening shareholders' funds	**(1,487)**	(1,457)
Prior year adjustment (note 3)	**(167)**	-
Closing shareholders' funds	**(1,091)**	(1,654)

19. COMMITMENTS

At 31 March 2006 the Company had annual commitments under operating leases as set out below:

	Land and Buildings		*Other*	
	2006	2005	**2006**	2005
	£000	£000	**£000**	£000
Operating leases which expire:				
Within one year	-	-	**2**	1
Within one to two years	-	-	**1**	3
In two to five years	**165**	-	-	-
	165	-	**3**	4

20. PENSIONS

The Company is a member of a larger group wide pension scheme, The BNFL Group Pension Scheme ("the group scheme"), providing benefits based on final pensionable pay.
Because the Company is unable to identify its share of the schemes' assets and liabilities on a consistent and reasonable basis as permitted by FRS 17 'Retirement benefits, the scheme has been accounted for as if it was defined contribution in nature.
The Company also contributes to a Group defined contribution pension scheme. The pension costs for the period were £186,575 (2005: £162,769), split into a defined benefit scheme of £178,509 (2005: £158,403) and defined contribution scheme of £8,066 (2005: £4,366). There were unpaid contributions of £21,258 as at 31 March 2006 (2005: £27,844).
The FRS 17 valuation at 31 March 2006 indicates the group scheme had a deficit of £71 million (2005: £71 million). Annual contributions of £8.6 million are being made by BNFL with effect from March 2005 to repair the deficit. Detailed FRS 17 disclosures in relation to the group pension scheme are included in the British Nuclear Fuels plc statutory accounts for the year ended 31 March 2006.

21. POST BALANCE SHEET EVENTS

Since the year end British Nuclear Fuels plc, the company's ultimate holding company, has waived loan balances of £1,750,000.

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

22. ULTIMATE PARENT UNDERTAKING

The Company is a subsidiary undertaking of British Nuclear Group Project Services Limited, a company registered and incorporated in England and Wales. The ultimate parent undertaking is British Nuclear Fuels PLC. Copies of the Group accounts of British Nuclear Fuels PLC may be obtained from its registered office at 1100 Daresbury Park, Daresbury, Warrington, WA4 4GB. 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.

23. RELATED PARTY TRANSACTIONS

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.