DEVA MANUFACTURING SERVICES LIMITED

Registered No 2763400

ANNUAL REPORT AND ACCOUNTS

31 March 2007

DIRECTORS

S Jee
P Hamer (Chairman)
N Proud
M Burns

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
Warrington
WA4 4GB

DIRECTORS' REPORT

The Directors present their report and accounts for the financial year ended 31 March 2007

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £260,000 (2006 £563,000)

The Directors do not recommend a dividend (2006 £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

BUSINESS REVIEW

The Company's two largest customers experienced significant plant technical issues which impacted on the product demand in 2006-7 Although any customer product demand variations in specific years are reflected into the future years demand, the Company's turnover reduced by 21% from 2006 to 2007 This reduction resulted in the Company breaking even at the operating profit level before exceptional items, as opposed to a 7% margin against turnover in 2006 However the Company was able to write-off £1 84m loan balance owed to the ultimate parent company, British Nuclear Fuels plc (BNFL), treated as a capital contribution in these accounts, which further strengthened the company's position for future years

The Company's excellent safety record continued, as at 31 March 2007 there were 1,100 consecutive days since the last Lost Time Accident, and a concurrent excellent record in TRIR (Total Recordable Incident Rate) and DACR (Days Away Case Rate) incidents

Significant highlights of the year were the ongoing excellent safety performance and also the fact that all delivery and production targets were fully achieved

FUTURE DEVELOPMENTS

On 22 August 2006 the BNFL Board announced that the best value for the BNFL shareholder would be delivered by selling British Nuclear Group Project Services Ltd and that it would begin consultation with the Government and other key stakeholders on this proposal Following these consultations, BNFL announced on 6 February 2007 that it had commenced a sales process for British Nuclear Group Project Services Ltd and its subsidiaries including Deva Manufacturing Services Ltd

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 2007 was 52 days (2006 52 days)

POLITICAL & CHARITABLE CONTRIBUTIONS

The Company made no political contributions during the year (2006 £nil) Donations to UK charities amounted to £155 (2006 £383)

DIRECTORS' REPORT (continued)

DIRECTORS

The Directors who served during the year were as follows

S Jee	
P Hamer	(Chairman)
N Proud	
M Burns	appointed 27 November 2006
M Davies	resigned 31 August 2006

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
2 August 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements 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 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 21 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

In addition we 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

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 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 2007 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

3 August 2007

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2007

	Notes	2007 £000	2006 £000
TURNOVER	2	**6,367**	8,028
Operating costs and expenses		**(6,366)**	(7,431)
OPERATING PROFIT	3	**1**	597
Interest payable and similar charges	6	**(11)**	(5)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**(10)**	592
Tax on profit on ordinary activities	7	**270**	(29)
PROFIT FOR THE FINANCIAL YEAR		**260**	563

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2007

	2007 £000	2006 £000
PROFIT FOR THE FINANCIAL YEAR	**260**	563
Total gains and losses recognised in the financial year	-	563
Prior period adjustment	-	(167)
Capital contribution - loan from Group Undertaking forgiven	**1,843**	-
TOTAL GAINS AND LOSSES RECOGNISED SINCE THE LAST ANNUAL REPORT AND ACCOUNTS	**2,103**	396

BALANCE SHEET
At 31 March 2007

	Notes	2007 £000	2006 £000
FIXED ASSETS			
Tangible assets	8	**947**	1,069
CURRENT ASSETS			
Stocks	9	**555**	595
Debtors (including deferred tax asset)	10	**1,637**	800
		2,192	1,395
CREDITORS: amounts falling due within one year	12	**(1,578)**	(2,879)
NET CURRENT ASSETS / (LIABILITIES)		**614**	(1,484)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,561**	(415)
CREDITORS: amounts falling due after more than one year	13	**(371)**	(474)
PROVISIONS FOR LIABILITIES AND CHARGES	14	**(178)**	(202)
NET ASSETS / (LIABILITIES)		**1,012**	(1,091)
CAPITAL AND RESERVES			
Called up share capital	15	**1,000**	1,000
Profit and loss account	16	**12**	(2,091)
SHAREHOLDERS' FUNDS / (DEFICIT) – EQUITY	17	**1,012**	(1,091)

These financial statements were approved by the Board of directors on 2 August 2007 and were signed on its behalf by

M E Burns

Margaret Burns
Director
2 August 2007.

NOTES TO THE ACCOUNTS
At 31 March 2007

1. ACCOUNTING POLICIES

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

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

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

NOTES TO THE ACCOUNTS (continued)
At 31 March 2007

1. **ACCOUNTING POLICIES (continued)**

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 provides pension schemes for the benefit of all of its employees The schemes are funded by contributions partly from the employees and partly from the Company These payments are made to a separately administered fund for the BNFL Group Pension Scheme

The contributions to the scheme are based on independent actuarial valuations designed to secure the benefits as set out in the rules

The Company is unable to identify its share of the underlying assets and liabilities of the BNFL Group Pension 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 2007

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. OPERATING PROFIT IS STATED AFTER CHARGING:

	2007	2006
	£000	£000
Raw materials and consumables	**3,256**	3,739
Employee costs (see note 4)	**1,955**	2,385
Depreciation		
- owned fixed assets	**138**	156
Auditors' remuneration - audit services	**12**	10
Operating lease rentals – land & buildings	**173**	172
Research and development	**8**	40
Hired staff	**110**	243

4 EMPLOYEE INFORMATION (excluding Executive Directors)

The average number of employees during the year was as follows

	2007	2006
	No	No
Industrial	**50**	62
Non-industrial	**8**	8
	58	70

Employee costs during the year were as follows

	2007	2006
	£000	£000
Wages and salaries	**1,347**	1,728
Social security costs	**105**	135
Pension costs	**503**	522
	1,955	2,385

NOTES TO THE ACCOUNTS (continued)
At 31 March 2007

5. DIRECTORS' EMOLUMENTS

The Directors received no emoluments during the year (2006 £nil) All Directors' emoluments were borne by other group undertakings

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £000	2006 £000
Other financing charges	**11**	5

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge in year

	2007 £000	2006 £000
Current tax on income for the year	**(314)**	94
Adjustments in respect of prior periods	**(12)**	-
Total current tax	**(326)**	94
Deferred tax (note 11)	**56**	(65)
Tax (credit) / charge on profit on ordinary activities	**(270)**	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

	2007 £000	2006 £000
(Loss) / profit on ordinary activities before taxation	**(10)**	592
Expected tax (credit) / charge at 30% (2006 30%)	**(3)**	178
Effects of :		
(Income) / expenses not deductible for tax purposes	**(248)**	1
Accelerated capital allowances	**(56)**	(82)
Short term timing differences	**(7)**	(3)
Current tax (credit) / charge	**(314)**	94

NOTES TO THE ACCOUNTS (continued)
At 31 March 2007

8. TANGIBLE FIXED ASSETS

	Plant & machinery	Fixtures & fittings	Computing equipment	Assets in course of construction	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2006	6,153	147	68	300	6,668
Additions	8	8	-	-	16
Transfers	300	-	-	(300)	-
At 31 March 2007	**6,461**	**155**	**68**	**-**	**6,684**
Depreciation					
At 1 April 2006	5,390	147	62	-	5,599
Charge for year	132	1	5	-	138
At 31 March 2007	**5,522**	**148**	**67**	**-**	**5,737**
Net book value					
At 31 March 2007	**939**	**7**	**1**	**-**	**947**
At 31 March 2006	763	-	6	300	1,069

9. STOCKS

	2007	2006
	£000	£000
Raw materials and consumables	**376**	311
Work in progress	**179**	284
	555	595

10. DEBTORS

	2007	2006
	£000	£000
Trade debtors	**127**	228
Amounts owed by Group Undertakings	**1,057**	438
Prepayments and accrued income	**118**	69
Deferred tax asset (note 11)	**9**	65
Corporation tax	**326**	-
	1,637	800

NOTES TO THE ACCOUNTS (continued)
At 31 March 2007

11. DEFERRED TAXATION

	Deferred taxation £000
Balance at 1 April 2006	(65)
Charge to the profit and loss account for the year	56
Balance at 31 March 2007	**(9)**

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

The elements of deferred taxation are as follows

	Provided 2007 £000	**Unprovided 2007 £000**	Provided 2006 £000	Unprovided 2006 £000
Capital allowances in advance of depreciation	**(9)**	**-**	(65)	-
Other timing differences	**-**	**(59)**	-	(66)
	(9)	**(59)**	(65)	(66)

12 CREDITORS: amounts falling due within one year

	2007 £000	2006 £000
Payments received on account	**106**	89
Trade creditors	**615**	620
Amounts owed to Group Undertakings	**566**	1,844
Other taxes and social security costs	**110**	166
Other creditors	**17**	20
Accruals and deferred income	**164**	140
	1,578	2,879

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

	2007 £000	2006 £000
Payments received on account	**371**	474

NOTES TO THE ACCOUNTS (continued)
At 31 March 2007

14. PROVISIONS FOR LIABILITIES AND CHARGES

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

	Restructuring £000
Balance at 1 April 2006	202
Top up for inflation	11
Utilisation	(16)
Credit to the profit and loss account in the year	(19)
Balance at 31 March 2007	**178**

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 26 years

15. SHARE CAPITAL

	2007 £000	2006 £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

16 RESERVES

	Profit and loss account £000
At 1 April 2006	(2,091)
Profit for the year	260
Capital contribution – loan from Group Undertaking forgiven	1,843
At 31 March 2007	**12**

NOTES TO THE ACCOUNTS (continued)
At 31 March 2007

17. RECONCILIATION OF SHAREHOLDERS' FUNDS

	2007 £000	2006 £000
Profit for the financial year	260	563
Opening shareholders' funds	(1,091)	(1,487)
Prior year adjustment	-	(167)
Capital contribution – loan from Group Undertaking forgiven	1,843	-
Closing shareholders' funds	1,012	(1,091)

18. COMMITMENTS

At 31 March 2007 the Company had annual commitments under operating leases as set out below

	Land and Buildings 2007 £000	Land and Buildings 2006 £000	Other 2007 £000	Other 2006 £000
Operating leases which expire				
Within one year	-	-	1	2
Within one to two years	-	-	-	1
In two to five years	165	165	-	-
	165	165	1	3

19. PENSIONS

On 31 March 2007, the BNFL Group Pension Scheme was sectionalised into various sections, however the Company remains unable to identify its share of the schemes' assets and liabilities on a consistent and reasonable basis Consequently, as required by FRS 17, the scheme has been accounted for as if it was a defined contribution scheme The pension charge for the period represents contributions payable by the Company to the scheme and amounts to £499,000 (2006 £514,000)

The FRS 17 valuation at 31 March 2007 indicates the group scheme had a deficit of £30 million (2006 £71 million) British Nuclear Fuels plc is committed to funding the full FRS 17 deficit by 31 March 2008 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 2007

The Company also contributes to a Group defined contribution pension scheme, contributions payable by the Company amounted to £4,000 (2006 £8,000) There were unpaid contributions of £18,000 as at 31 March 2007 (2006 £21,000)

NOTES TO THE ACCOUNTS (continued)
At 31 March 2007

20. 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

21. 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
Undertakings under common control of Her Majesty's Government include the United Kingdom Atomic Energy Authority (UKAEA) During the period the Company sold goods to the value of £256,000 (2006 £nil) to the UKAEA As at 31 March 2007 there was a balance owed to the company of £99,000 (2006 £nil) from the UKAEA