

DEVA MANUFACTURING SERVICES LIMITED

Registered No. 2763400

ANNUAL REPORT AND ACCOUNTS

31 March 1999



Deva Manufacturing Services Limited

DIRECTORS

C F Button (Chairman)
W Heafield
S Jee

SECRETARY

C S Reid

AUDITORS

Ernst & Young/
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 1999

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £211,000 (1998 £160,000).

The Directors do not recommend a final dividend (1998 £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. The Company is continuing its strategy of expansion and diversification, and was profitable for the second year in 1998/99.

The Directors expect the general level of activity to continue to grow over future years.

DIRECTORS

The Directors who served during the year were as follows:

C F Button (Chairman)
W Heafield
S Jee

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

YEAR 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

A company-wide programme, designed to address the impact of the Year 2000 on our business is under way. Resources have been allocated and the Board receives regular reports on progress.

A significant risk analysis has been performed to determine the impact of the issue on all our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority is given to those systems which could cause a significant financial or legal impact on the company's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers and customers. In appropriate cases we have initiated formal communication with these other parties.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.


Deva Manufacturing Services Limited

Much of the cost of implementing the action plans will be subsumed into recurring activities of the departments involved. The total cost to date of modifications to our computer hardware and software is estimated at £30k, and has been treated in line with standard accounting policies when incurred. Future costs are not expected to be significant.

AUDITORS

A resolution to reappoint the auditors, Ernst & Young, will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'C S Reid', written over a horizontal line.

C S Reid
Company Secretary
22 July 1999

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.

REPORT OF THE AUDITORS

to the members of Deva Manufacturing Services Limited

We have audited the accounts on pages 7 to 16 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 to 10.

Respective responsibilities of Directors and Auditors

As described on page 5 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

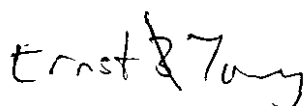
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Audit Practices Board. An audit includes an 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 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 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 at 31 March 1999 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Manchester



PROFIT AND LOSS ACCOUNT
for the year ended 31 March 1999

	<i>Notes</i>	1999 £000	1998 £000
TURNOVER	2	6,232	5,268
Net operating costs and expenses	3	(5,863)	(4,888)
OPERATING PROFIT		369	380
Other interest receivable and similar income	6	51	67
Interest payable and similar charges	7	(189)	(231)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		231	216
Tax on profit on ordinary activities	8	(20)	(56)
RETAINED PROFIT FOR THE YEAR		211	160

There are no recognised gains or losses other than the profit for the year.

BALANCE SHEET

at 31 March 1999

	Notes	1999 £000	1998 £000
FIXED ASSETS			
Tangible assets	9	3,120	3,494
CURRENT ASSETS			
Stocks	10	992	1,002
Debtors	11	1,787	1,385
Cash at bank and in hand		992	768
		3,771	3,155
CREDITORS: Amounts falling due within one year	12	(5,539)	(5,392)
NET CURRENT LIABILITIES		(1,768)	(2,237)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,352	1,257
CREDITORS: Amounts falling due after more than one year	13	(2,349)	(2,539)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(214)	(129)
ACCRUALS AND DEFERRED INCOME	15	(55)	(66)
NET LIABILITIES		(1,266)	(1,477)
CAPITAL AND RESERVES			
Called up share capital	16	1,000	1,000
Profit and loss account	17	(2,266)	(2,477)
SHAREHOLDERS' FUNDS - EQUITY		(1,266)	(1,477)



C F Button
Chairman
22 July 1999

NOTES TO THE ACCOUNTS

at 31 March 1999

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable 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% straight line
Computer equipment	-	25% - 33% straight line
Jigs and fixtures	-	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. 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

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

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.

NOTES TO THE ACCOUNTS (continued) **at 31 March 1999**

1. ACCOUNTING POLICIES (continued)

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 container. The source and destination of all turnover is the UK.

3. NET OPERATING COSTS AND EXPENSES

Net operating costs and expenses include:	1999	1998
	£000	£000
Raw materials and consumables	2,754	2,288
Employee costs (see note 4)	1,801	1,552
Depreciation - owned fixed assets	176	148
Depreciation - finance lease and hire purchase assets	374	379
Auditors' remuneration - audit services	7	6
Operating lease rentals - other	145	101
Changes in stocks of finished goods and WIP	(125)	(182)
Other external and operating charges	742	607
Deferred Government grants released	(11)	(11)
	<hr/>	<hr/>
	5,863	4,888
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

4. EMPLOYEE INFORMATION (including Executive Directors)

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

	1999 No.	1998 No.
Industrial	66	52
Non-industrial	10	11
	<hr/> 76	<hr/> 63

Employee costs during the year were as follows:

	1999 £000	1998 £000
Wages and salaries	1,583	1,274
Social security costs	123	105
Pension costs	95	82
Other employee costs	-	91
	<hr/> 1,801	<hr/> 1,552

5. DIRECTORS' EMOLUMENTS

	1999 £000	1998 £000
Aggregate emoluments	-	52
Compensation for loss of office	-	91

There are no retirement benefits accruing to Directors (1998 1) under the company's defined benefit scheme.

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1999 £000	1998 £000
Bank interest	51	67

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £000	1998 £000
Finance charges payable under finance leases	189	231

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £000	1998 £000
Corporation tax	-	62
Group relief (receivable)	(65)	-
Deferred taxation	85	6
	<hr/>	<hr/>
	20	68
Adjustments in respect of prior years		
Deferred taxation	-	(12)
	<hr/>	<hr/>
	20	56
	<hr/>	<hr/>

9. TANGIBLE FIXED ASSETS

	Plant & machinery £000	Fixtures & fittings £000	Computing equipment £000	Assets in course of construction £000	Total £000
Cost					
At 1 April 1998	5,160	155	40	20	5,375
Additions	-	-	-	199	199
Transfers	143	3	21	(167)	-
Disposals	(77)	(-)	(-)	-	(77)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1999	5,226	158	61	52	5,497
Depreciation					
At 1 April 1998	1,752	98	31	-	1,881
Charge for year	523	20	7	-	550
Disposals	(54)	(-)	(-)	-	(54)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1999	2,221	118	38	-	2,377
Net book value					
At 31 March 1999	3,005	40	23	52	3,120
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1998	3,408	57	9	20	3,494
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Leased assets net book value included above:					
31 March 1999	2,008	-	-	-	2,008
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 March 1998	2,409	-	-	-	2,409
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

10. STOCKS

	1999 £000	1998 £000
Raw materials and consumables	515	650
Work in progress	456	352
Finished goods	21	-
	<u>992</u>	<u>1,002</u>

11. DEBTORS

	1999 £000	1998 £000
Trade debtors	120	212
Amounts owed by Group Undertakings	1,369	1,137
Prepayments and accrued income	293	28
Other debtors	5	8
	<u>1,787</u>	<u>1,385</u>

12. CREDITORS: amounts falling due within one year

	1999 £000	1998 £000
Trade creditors	488	404
Amounts owed to Group Undertakings	4,000	4,001
Corporation tax	-	62
Other taxes and social security costs	215	189
Finance leases and hire purchase obligations	382	358
Accruals and deferred income	255	130
Payments received on account	199	248
	<u>5,539</u>	<u>5,392</u>

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

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

	1999 £000	1998 £000
Amounts owed to Group Undertakings	243	-
Finance leases and hire purchase obligations	2,106	2,539
	<hr/> 2,349	<hr/> 2,539

Finance leases and hire purchase contracts:

	1999 £000	1998 £000
Amounts payable:		
within one year	382	358
within two to five years	1,841	1,751
after five years	265	788
	<hr/> 2,488	<hr/> 2,897

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £000
At 1 April 1998	129
Charge in year	85
At 31 March 1999	<hr/> 214

Deferred tax has been provided in full and comprises:

	1999 £000	1998 £000
Capital allowances in advance of depreciation	158	149
Other timing differences	56	(20)
	<hr/> 214	<hr/> 129

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

15. ACCRUALS AND DEFERRED INCOME

	Deferred capital grants £000
At 1 April 1998	66
Released during the year	(11)
At 31 March 1999	55

16. SHARE CAPITAL

	1999 £000	1998 £000
Authorised, 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 1998	(2,477)
Retained profit for the year	211
At 31 March 1999	(2,266)

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £000	1998 £000
Profit for the financial year	211	160
Net addition to shareholders' funds	211	160
Opening shareholders' funds	(1,477)	(1,637)
Closing shareholders' funds	(1,266)	(1,477)

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

19. CONTINGENT LIABILITIES

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

	1999 £000	1998 £000
Operating leases which expire:		
within one year		
land and buildings	-	-
other	6	6
in two to five years		
land and buildings	-	-
Other	9	3
After five years		
land and buildings	181	141
other	2	2
	<hr/>	<hr/>
	198	152
	<hr/>	<hr/>

20. 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, the particulars of which are contained in the Group accounts of British Nuclear Fuels plc.

21. 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.