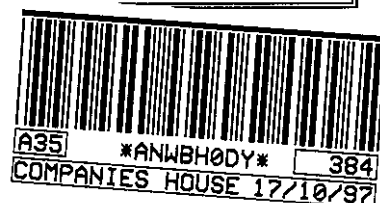


REGISTERED NUMBER 2888907

BNFL INSTRUMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS

31 MARCH 1997



BNFL INSTRUMENTS LIMITED

REGISTERED NUMBER 2888907

Directors

D R Bonser (Chairman)
T B Kelly (Managing Director)
N Gardner
W Heafield
R Nicholson
P Read

Secretary

C S Reid

Auditors

Ernst and Young
Commercial Union House
Albert Square
Manchester
M2 6LP

Bankers

National Westminster Bank Plc
55 King Street
Manchester
M60 2DB

Registered Office

Risley
Warrington
Cheshire
WA3 6AS

BNFL INSTRUMENTS LIMITED

DIRECTORS REPORT

The Directors present their report and accounts for the year ended 31 March 1997.

1. Results and Dividends

The profit for the year before taxation amounted to £875,000 (1996 : £508,000) and after taxation £583,000 (1996 : £336,000). The Directors believe that the profits should be retained and reinvested in the future growth of the business and therefore do not recommend payment of a dividend.

2. Principal Activity and Review of the Business

BNFL Instruments Limited is a wholly owned subsidiary of British Nuclear Fuels plc (BNFL) and was incorporated on 13 January 1994 to supply advanced measurement technologies to the nuclear industry.

The principal activities of the Company during the period of this report have been.

- a. To provide radiometric and related systems and services to BNFL.
- b. To develop and establish the infrastructure for a business based on the provision of advanced radiometric and related systems and services.
- c. To initiate a controlled expansion into the external market place.
- d. To develop products to be sold in the internal and external market.

3. Fixed Assets

The additions to tangible fixed assets during the year arose from the fitting out of the RDF facility, computer hardware and software and works equipment.

4. Directors and Their Interests

The Directors during the year were as follows:-

D R Bonser (Chairman) (Appointed 01/10/96)
T B Kelly (Managing Director)
N Gardner
W Heafield
R Nicholson
P Read
K G Jackson (Resigned 31.12.96)

The Directors have no notifiable interests under Sections 324 and 325 of the Companies Act 1985.

6. Auditors

A resolution to reappoint the auditors Ernst & Young will be submitted to the Annual General Meeting.

BY ORDER OF THE BOARD



C S REID
Company Secretary

16.7.97

BNFL INSTRUMENTS LIMITED

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; and
- ◆ prepare the accounts 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 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.

BNFL INSTRUMENTS LIMITED

REPORT OF THE AUDITORS

to the members of BNFL Instruments Limited

We have audited the accounts on pages 6 to 15, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

As described on page 4 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 Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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 as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Chartered Accountants
Registered Auditor
Manchester

24/7/97

BNFL INSTRUMENTS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1997

	Notes	1997 £000	1996 £000
TURNOVER	2	<u>7,735</u>	<u>7,126</u>
Change in stocks of finished goods and in work in progress		20	(283)
Other operating income		(14)	(1)
Raw materials and consumables		1,257	537
Other external charges		164	131
Staff costs		3,320	2,743
Depreciation and amortisation		183	49
Other operating charges		<u>2,034</u>	<u>3,467</u>
		<u>6,964</u>	<u>6,643</u>
OPERATING PROFIT	3	<u>771</u>	<u>483</u>
Group interest receivable		37	-
Bank interest receivable		67	25
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>875</u>	<u>508</u>
Tax on profit on ordinary activities	6	292	172
PROFIT FOR THE FINANCIAL YEAR		<u>583</u>	<u>336</u>
PROFIT RETAINED FOR THE FINANCIAL YEAR		<u>583</u>	<u>336</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

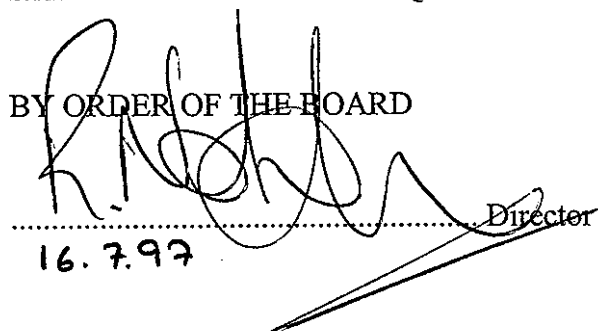
BNFL INSTRUMENTS LIMITED

BALANCE SHEET

at 31 March 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	7	<u>1,229</u>	<u>929</u>
		<u>1,229</u>	<u>929</u>
CURRENT ASSETS			
Stocks	8	461	337
Debtors	9	2,506	3,125
Cash at bank and in hand		<u>1,982</u>	<u>1,493</u>
		4,949	4,955
CREDITORS: amounts falling due within one year	10	<u>(3,213)</u>	<u>(3,512)</u>
NET CURRENT ASSETS		<u>1,736</u>	<u>1,443</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,965</u>	<u>2,372</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred Taxation	11	<u>(46)</u>	<u>(36)</u>
		<u>2,919</u>	<u>2,336</u>
CAPITAL AND RESERVES			
Called up share capital	12	2,000	2,000
Profit and loss account	13	<u>919</u>	<u>336</u>
SHAREHOLDER'S FUNDS-EQUITY		<u>2,919</u>	<u>2,336</u>

BY ORDER OF THE BOARD


 Director
 16.7.97

BNFL INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS

at 31 March 1997

1. ACCOUNTING POLICIES

1.i Accounting convention

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

1.ii Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the historical cost of each asset evenly over its expected useful life, as follows:

Plant and Machinery	-	10% straight line
Fixtures and Fittings	-	10% straight line
Computer Equipment	-	20% straight line

1.iii 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, as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	-	cost of direct materials and labour plus 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.

1.iv Long-Term Contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (as defined in Stocks above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for the contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

1.v Deferred Taxation

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

1.vi Pensions

The Company participates in the BNFL Group Pension Scheme a defined benefit pension scheme which requires contributions to be made to a separately administered fund. Contributions to this fund 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 the 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.

1.viii Leasing Commitments

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

1.iv FRS8

The company has taken advantage of the exemption available under FRS8 not to disclose related party transactions as it is a wholly owned subsidiary of BNFL.

1.x Foreign Currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences are taken to the profit and loss account.

1.xi Warranty Provision

Provision is made for warranty costs which may arise on contracts entered into at the balance sheet date.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Turnover in respect of long-term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract.

Turnover is attributable to one continuing activity, the supply of advanced radiometric and related systems and services.

An analysis of turnover by geographical market is given below:

	1997 £000	1996 £000
United Kingdom	7,294	7,126
Europe - EC	95	-
North and South America	346	-
	<u>7,735</u>	<u>7,126</u>

3. OPERATING PROFIT

	1997 £000	1996 £000
This is stated after charging/(crediting)		
Foreign Exchange gain	(13)	-
Depreciation of owned fixed assets	183	49
Auditors' remuneration	4	20
Operating lease rentals	4	5

4. DIRECTORS' EMOLUMENTS

	1997 £000	1996 £000
Fees	-	-
Other Emoluments (including pension contributions)	269	217
	<u>269</u>	<u>217</u>

No emoluments, were paid to the chairman.

The emoluments, excluding pension contributions, of the highest paid director, were £75,472 (1996 £73,140). As at 31 March 1996 the value of the highest paid directors accrued pension was £15,398 and the value of his accrued lump sum was £46,194.

Four directors are members of a defined benefit pension scheme.

5. STAFF COSTS

	1997 £000	1996 £000
Wages and Salaries	2,899	2,417
Social Security Costs	233	170
Other Pension Costs	188	156
	<u>3,320</u>	<u>2,743</u>

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

	1997	1996
Administration	17	13
Manufacturing	83	67
	<u>100</u>	<u>80</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £000	1996 £000
Based on the profit for the year		
UK Corporation Tax at 33%	282	136
Deferred Taxation (see note 11)	10	36
	<u>292</u>	<u>172</u>

7. TANGIBLE FIXED ASSETS

	Plant & Machinery £000	Fixtures, Fittings, Tools and Equipment £000	Assets in Course of Construction £000	Total £000
Cost:				
At 1 April 1996	649	305	27	981
Additions	<u>122</u>	<u>146</u>	<u>215</u>	<u>483</u>
At 31 March 1997	<u>771</u>	<u>451</u>	<u>242</u>	<u>1,464</u>
Depreciation:				
At 1 April 1996	27	25	0	52
Provided during the year	<u>70</u>	<u>113</u>	<u>0</u>	<u>183</u>
At 31 March 1997	<u>97</u>	<u>138</u>	<u>0</u>	<u>235</u>
Net Book Value:				
At 31 March 1997	<u>674</u>	<u>313</u>	<u>242</u>	<u>1,229</u>
At 31 March 1996	<u>622</u>	<u>280</u>	<u>27</u>	<u>929</u>

8. STOCKS

	1997 £000	1996 £000
Finished Goods for resale	40	-
Raw materials and consumables	83	54
Work in progress	<u>338</u>	<u>283</u>
	<u>461</u>	<u>337</u>

9. DEBTORS

	1997	1996
	£000	£000
Due from parent undertakings	1,888	2,141
Due from group undertakings	515	968
Other debtors	24	12
Prepayments and accrued income	79	4
	<u>2,506</u>	<u>3,125</u>

10. CREDITORS: Amounts falling due within one year

	1997	1996
	£000	£000
Trade creditors	577	798
Amounts owed to parent undertaking	501	1,331
Amounts owed to group undertaking	24	30
Corporation tax	282	136
Other taxes and social security costs	101	96
Accruals	796	602
Payments on account	932	519
	<u>3,213</u>	<u>3,512</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

The movement in deferred taxation during the current year was:-

	1997	1996
	£000	£000
At 1 April 1996	36	-
Charge for year (note 6)	10	36
At 31 March 1997	<u>46</u>	<u>36</u>

Deferred taxation has been provided in full and comprises:-

	1997	1996
	£000	£000
Accelerated capital allowances	104	64
Other timing differences	<u>(58)</u>	<u>(28)</u>
	<u>46</u>	<u>36</u>

12. SHARE CAPITAL

	Authorised	
	1997 £000	1996 £000
Ordinary Shares of £1 each	2,000	2,000
	Allotted, Called Up and Fully Paid	
	1997 £000	1996 £000
Ordinary Shares of £1 each	2,000	2,000

13. RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENT ON RESERVES

	Share Capital	Profit & Loss A/C	Total Shareholder's Funds
	£000	£000	£000
At 1 April 1996	2,000	336	2,336
Profit for the period	-	583	583
At 31 March 1997	<u>2,000</u>	<u>919</u>	<u>2,919</u>

14. OTHER FINANCIAL COMMITMENTS

At 31 March 1997 the company had annual commitments under non-cancellable operating leases as set out below:

	1997 £000	1996 £000
Operating Leases which expire:		
Within one year	4	5
In two to five years	<u>36</u>	<u>34</u>
	<u>40</u>	<u>39</u>

15. PENSION COMMITMENTS

The Company participates in the 'BNFL Group Pension Scheme' which is a defined benefit scheme available to all employees. Contributions are paid into a pension scheme invested with Clerical Medical Investment Group. The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations, particulars of which are contained in the Group accounts of British Nuclear Fuels plc.

The pension costs charge for the period was £188,000 and the unpaid contributions outstanding at the year end, included in other taxes and social security costs (note 10) are £31,000.

16. CASH FLOW

The company has taken advantage of the exemption available to wholly owned Subsidiary Undertakings under Financial Reporting Standard 1 and has not prepared a cash flow statement.

17. RELATED PARTIES

The Company's immediate parent undertaking is British Nuclear Fuels plc, a Company registered in England and Wales. It has included the Company in its group accounts, copies of which are available from its registered office: Risley, Warrington, Cheshire.

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