

BNFL INSTRUMENTS LIMITED

Registered No. 2888907

ANNUAL REPORT AND ACCOUNTS

31 March 2000



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BNFL Instruments Limited

DIRECTORS

W Heafield (Chairman)
P Read (Managing Director)
R Nicholson
A Roberts

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 2000

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £254,000 (1999 profit £188,000).

The Directors do not recommend a final dividend (1999 £nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company's principal activities during the year continued to be the supply of advanced measurement technologies to the nuclear industry.

The Company significantly increased its investment in its extensive product development programme and launched further new products in the market place.

FUTURE DEVELOPMENTS

It is the intention of the directors of both the Company and its parent, British Nuclear Fuels plc ("BNFL"), that the Company will transfer its business into BNFL during the year ended 31 March 2001.

DIRECTORS

The Directors who served during the year were as follows:

H K H Claxton (resigned 19/05/2000)

T B Kelly (resigned 01/02/2000)

N Gardner (resigned 21/01/2000)

W Heafield

R Nicholson

P Read

In addition, A Roberts was appointed a Director on 4 May 2000

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

YEAR 2000

The company did not experience any significant issues arising from the Year 2000 problem. The residual risks are not thought 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



C S Reid
Company Secretary
30 August 2000

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 BNFL Instruments Limited

We have audited the accounts on pages 6 to 16, which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of Directors and Auditors

As described on page 4 the Company's Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

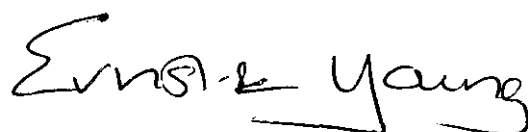
Basis of opinion

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 at 31 March 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Manchester

- 5 OCT 2000

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2000

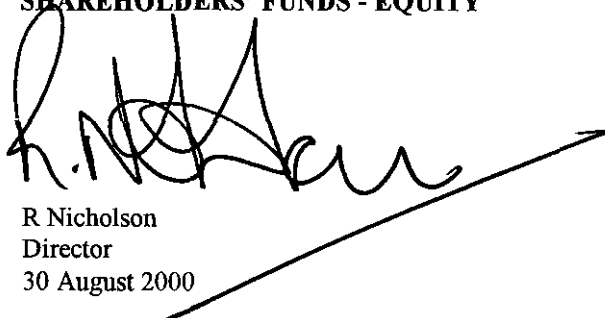
	<i>Notes</i>	2000 £000	1999 £000
TURNOVER	2	6,942	7,849
Net operating costs and expenses	3	(7,447)	(7,787)
OPERATING (LOSS) / PROFIT		(505)	62
Interest receivable and similar income	6	58	110
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(447)	172
Tax on loss/profit on ordinary activities	7	193	16
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(254)	188
RETAINED (LOSS)/PROFIT FOR THE YEAR		(254)	188

There are no recognised gains or losses in either period other than the loss / profit for the year.

BALANCE SHEET

at 31 March 2000

	<i>Notes</i>	2000 £000	1999 £000
FIXED ASSETS			
Intangible assets	8	1,345	645
Tangible assets	9	1,447	1,226
TOTAL FIXED ASSETS		2,792	1,871
CURRENT ASSETS			
Stocks	10	793	591
Debtors	11	3,819	2,370
Cash at bank and in hand		363	1,617
		4,975	4,578
CREDITORS: Amounts falling due within one year	12	(3,984)	(2,380)
NET CURRENT ASSETS		991	2,198
TOTAL ASSETS LESS CURRENT LIABILITIES		3,783	4,069
CREDITORS: Amounts falling due after more than one year	13	(285)	(428)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(264)	(153)
NET ASSETS		3,234	3,488
CAPITAL AND RESERVES			
Called up share capital	16	2,000	2,000
Profit and loss account	17	1,234	1,488
SHAREHOLDERS' FUNDS - EQUITY		3,234	3,488



R Nicholson
Director
30 August 2000

NOTES TO THE ACCOUNTS

at 31 March 2000

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 less accumulated depreciation. 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. Accumulated depreciation includes additional charges made where necessary to reflect impairments in value. Depreciation is provided on all tangible fixed assets other than assets in the 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:

Plant and machinery	-	10% straight line
Computer equipment	-	20% straight line
Fixtures and fittings	-	10% straight line

Assets in the course of construction are stated at cost and not depreciated until brought into commission.

Intangible fixed assets – research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

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.

Long-term contracts

Profits on long-term contracts are taken as contract activity progresses when a profitable outcome to the contract can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the work carried out by recording turnover and related costs (as defined in Stocks above). 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 only recognised 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.

Warranty provisions

The provision made in respect of warranty represents the estimated liability at a given point in time for future warranty claims which may be submitted, relating to products and services sold. The provision is calculated using the best available warranty cost statistics.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

NOTES TO THE ACCOUNTS (continued)

at 31 March 2000

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. Exchange differences are taken to the profit and loss account.

Leasing and hire purchase commitments

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, 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 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:

	2000 £000	1999 £000
United Kingdom	5,532	5,688
Europe - EC	120	257
Europe - Other	148	52
North and South America	977	1,352
Japan and Far East	34	210
South Africa	131	290
	<hr/> 6,942 <hr/>	<hr/> 7,849 <hr/>

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

3. NET OPERATING COSTS AND EXPENSES

Net operating costs and expenses include:	2000	1999
	£000	£000
Raw materials and consumable	1,688	1,721
Employee costs (see note 4)	4,146	4,397
Depreciation - owned fixed assets	285	264
Amortisation of deferred development costs	137	-
Auditors' remuneration - audit services	9	10
Operating lease rentals - other	43	46
Changes in stocks of finished goods and WIP	(243)	195
Other external and operating charges	2,224	1,825
Own work capitalised	(837)	(645)
Other operating income	(5)	(26)
	<hr/> 7,447 <hr/>	<hr/> 7,787 <hr/>

4. EMPLOYEE INFORMATION (including Executive Directors)

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

	2000	1999
	No.	No.
Manufacturing	77	95
Administration	29	25
	<hr/> 106 <hr/>	<hr/> 120 <hr/>

Employee costs during the year were as follows:

	2000	1999
	£000	£000
Wages and salaries	3,411	3,632
Social security costs	317	254
Pension costs	418	511
	<hr/> 4,146 <hr/>	<hr/> 4,397 <hr/>

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

5. DIRECTORS' EMOLUMENTS

	2000 £000	1999 £000
Aggregate emoluments	278	292
Retirement benefits are accruing to 4 Directors under a defined benefit scheme.		
Aggregate emoluments and benefits under long-term incentive schemes for the highest paid director	86	101
Defined benefit pension scheme for highest paid Director:		
Accrued pension at end of year	21	18
Accrued lump sum at end of year	63	54

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2000 £000	1999 £000
Bank interest	23	110
Other interest	35	-
	58	110

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £000	1999 £000
Corporation tax at 30%	(330)	(17)
Deferred tax	156	-
	(174)	(17)
Adjustments in respect of prior years		
Corporation tax	(51)	1
Deferred taxation	32	-
	(193)	(16)

NOTES TO THE ACCOUNTS (continued) at 31 March 2000

8. INTANGIBLE FIXED ASSETS

	Development Costs £000
Cost	
At 1 April 1999	645
Expenditure	837
At 31 March 2000	1,482
Amortisation	
At 1 April 1999	-
Charge for year	137
At 31 March 2000	137
Net book value	
At 31 March 2000	1,345
At 31 March 1999	645

9. TANGIBLE FIXED ASSETS

	Plant & machinery £000	Fixtures, fittings, tools & equipment £000	Assets in course of construction £000	Total £000
Cost				
At 1 April 1999	932	951	65	1,948
Additions	-	155	356	511
Transfers	-	358	(358)	-
Disposals	-	(10)	-	(10)
At 31 March 2000	932	1,454	63	2,449
Depreciation				
At 1 April 1999	275	447	-	722
Charge for year	94	191	-	285
Disposals	-	(5)	-	(5)
At 31 March 2000	369	633	-	1,002
Net book value				
At 31 March 2000	563	821	63	1,447
At 31 March 1999	657	504	65	1,226

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

10. STOCKS

	2000 £000	1999 £000
Raw materials and consumables	138	179
Work in progress	104	47
Finished goods	94	231
Long term contract balances	457	134
	<hr/> 793	<hr/> 591

The difference between purchase price or production cost of stocks and their replacement cost is not material.

11. DEBTORS

	2000 £000	1999 £000
Trade debtors	1,191	338
Amounts owed by Group Undertakings	1,965	1,441
Prepayments and accrued income	299	429
Corporation tax	354	111
Other debtors	10	51
	<hr/> 3,819	<hr/> 2,370

12. CREDITORS: amounts falling due within one year

	2000 £000	1999 £000
Trade creditors	763	301
Amounts owed to Group Undertakings	1,100	475
Other taxes and social security costs	179	114
Accruals and deferred income	572	1,071
Payments received on account	1,012	323
Inter company creditor – group relief	358	96
	<hr/> 3,984	<hr/> 2,380

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

	2000 £000	1999 £000
Amounts owed to Group Undertakings	285	428
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued) at 31 March 2000

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Tax £000	Warranty provision £000	Loss provision £000	Total £000
At 1 April 1999	-	153	-	153
Charge in year	188	-	21	209
Utilised	-	(98)	-	(98)
At 31 March 2000	188	55	21	264

15. DEFERRED TAX

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

	Provided		Unprovided	
	£000 2000	£000 1999	£000 2000	£000 1999
Capital allowances in excess of depreciation	125	0	0	14
Other timing differences	63	0	0	(30)
At 31 March	188	0	0	(16)

16. SHARE CAPITAL

	2000 £000	1999 £000
Authorised, allotted, called up and fully paid: 2 million ordinary shares of £1 each	2,000	2,000

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

17. RESERVES

	Profit and loss account £000
At 1 April 1999	1,488
Retained loss for the year	(254)
At 31 March 2000	1,234

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £000	1999 £000
(Loss)/profit for the financial year	(254)	188
Net movement in shareholders' funds	(254)	188
Opening shareholders' funds	3,488	3,300
Closing shareholders' funds	3,234	3,488

19. CONTINGENT LIABILITIES

Annual commitments under non-cancellable operating leases, none of which relate to land and buildings, are as follows:

	2000 £000	1999 £000
Operating leases which expire:		
within one year	3	3
in two to five years	32	43
	35	46

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

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.