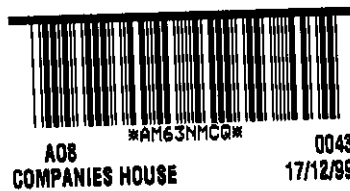


BNFL INSTRUMENTS LIMITED

Registered No. 2888907

ANNUAL REPORT AND ACCOUNTS

31 March 1999



BNFL Instruments Limited

DIRECTORS

H K H Claxton (Chairman)
T B Kelly (Managing Director)
N Gardner
W Heafield
R Nicholson
P Read

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 £188,000 (1998 £381,000).

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 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.

The Directors expect the general level of activity to continue to increase over the next 4 years with a number of new and innovative products being launched into the market. This will lead to increased turnover particularly in the USA and the rest of the world.

DIRECTORS

The Directors who served during the year were as follows:

H K H Claxton (Chairman)
T B Kelly (Managing Director)
N Gardner
W Heafield
R Nicholson
P Read

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

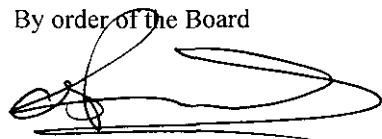
YEAR 2000

As is well known, computer based systems may not work correctly when the date progresses toward, through and beyond the year 2000. The Company is part of a BNFL Group-wide project, which has been running since 1996 to ensure that the safety, commercial and legal interests of the Group are fully protected from the impact of the Year 2000 problems. Further details of the project are included in the accounts of the ultimate holding company, British Nuclear Fuels plc.

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
14 September 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 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 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. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

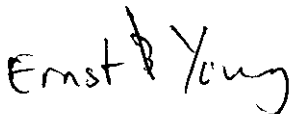
Basis of opinion

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
14 September 1999

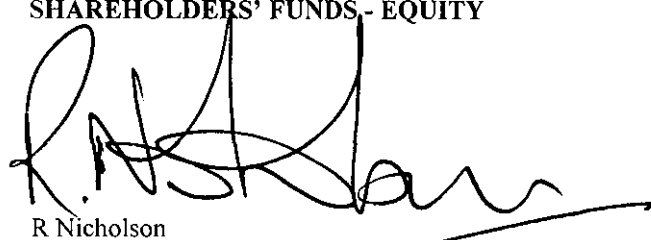
PROFIT AND LOSS ACCOUNT
for the year ended 31 March 1999

	<i>Notes</i>	1999 £000	1998 £000
TURNOVER	2	7,849	8,362
Net operating costs and expenses	3	(7,787)	(7,907)
OPERATING PROFIT		62	455
Other interest receivable and similar income	6	110	122
Interest payable and similar charges	7	-	(4)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		172	573
Tax on profit on ordinary activities	8	16	(192)
PROFIT FOR THE FINANCIAL YEAR		188	381
RETAINED PROFIT FOR THE YEAR		188	381

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

BALANCE SHEET
at 31 March 1999

	<i>Notes</i>	1999 £000	1998 £000
FIXED ASSETS			
Intangible assets	9	645	-
Tangible assets	10	1,226	1,335
TOTAL FIXED ASSETS		1,871	1,335
CURRENT ASSETS			
Stocks	11	591	680
Debtors	12	2,370	2,381
Cash at bank and in hand		1,617	2,108
		4,578	5,169
CREDITORS: Amounts falling due within one year	13	(2,380)	(3,110)
NET CURRENT ASSETS		2,198	2,059
TOTAL ASSETS LESS CURRENT LIABILITIES		4,069	3,394
CREDITORS: Amounts falling due after more than one year	14	(428)	-
PROVISIONS FOR LIABILITIES AND CHARGES	15	(153)	(94)
NET ASSETS		3,488	3,300
CAPITAL AND RESERVES			
Called up share capital	16	2,000	2,000
Profit and loss account	17	1,488	1,300
SHAREHOLDERS' FUNDS - EQUITY		3,488	3,300


R Nicholson
Director
14 September 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 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 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.

NOTES TO THE ACCOUNTS (continued)

at 31 March 1999

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:

	1999 £000	1998 £000
United Kingdom	5,688	7,842
Europe - EC	257	443
Europe - Other	52	-
North and South America	1,352	-
Japan and Far East	210	-
South Africa	290	-
Middle East	-	77
	<hr/> 7,849 <hr/>	<hr/> 8,362 <hr/>

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

3. NET OPERATING COSTS AND EXPENSES

Net operating costs and expenses include:	1999	1998
	£000	£000
Raw materials and consumable	1,721	1,261
Employee costs (see note 4)	4,397	3,705
Depreciation - owned fixed assets	264	223
Provisions for liabilities and charges	59	(83)
Auditors' remuneration - audit services	10	13
Operating lease rentals - other	46	41
Changes in stocks of finished goods and WIP	195	(46)
Other external and operating charges	2,051	2,805
Own work capitalised	(645)	-
Loans forgiven	(285)	-
Other operating income	(26)	(12)
	7,787	7,907

4. EMPLOYEE INFORMATION (including Executive Directors)

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

	1999	1998
	No.	No.
Manufacturing	95	91
Administration	25	21
	120	112

Employee costs during the year were as follows:

	1999	1998
	£000	£000
Wages and salaries	3,632	3,240
Social security costs	254	262
Pension costs	511	203
	4,397	3,705

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

5. DIRECTORS' EMOLUMENTS

	1999 £000	1998 £000
Aggregate emoluments	292	252
<hr/>		
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	101	83
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Defined benefit pension scheme for highest paid Director:		
Accrued pension at end of year	18	16
Accrued lump sum at end of year	54	47
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6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1999 £000	1998 £000
Bank interest	110	122

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £000	1998 £000
Other	-	4

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £000	1998 £000
Corporation tax	(17)	149
<hr/>		
	(17)	149
Adjustments in respect of prior years		
Corporation tax	1	89
Deferred taxation	-	(46)
<hr/>		
	(16)	192
<hr/>		

NOTES TO THE ACCOUNTS (continued) at 31 March 1999

9. INTANGIBLE FIXED ASSETS

	Research & Development £000
Cost	
At 1 April 1998	-
Expenditure	645
At 31 March 1999	645
Amortisation	
At 1 April 1998	-
Charge for year	-
At 31 March 1999	-
Net book value	
At 31 March 1999	645
At 31 March 1998	-

10. TANGIBLE FIXED ASSETS

	Plant & machinery £000	Fixtures, fittings, tools & equipment £000	Assets in course of construction £000	Total £000
Cost				
At 1 April 1998	914	824	55	1,793
Additions	18	127	10	155
At 31 March 1999	932	951	65	1,948
Depreciation				
At 1 April 1998	183	275	-	458
Charge for year	92	172	-	264
At 31 March 1999	275	447	-	722
Net book value				
At 31 March 1999	657	504	65	1,226
At 31 March 1998	731	549	55	1,335

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

11. STOCKS

	1999 £000	1998 £000
Raw materials and consumables	179	73
Work in progress	181	191
Finished goods	231	416
	<hr/> 591	<hr/> 680

12. DEBTORS

	1999 £000	1998 £000
Trade debtors	338	224
Amounts owed by Group Undertakings	1,441	2,126
Prepayments and accrued income	429	4
Corporation tax	111	-
Other debtors	51	27
	<hr/> 2,370	<hr/> 2,381

13. CREDITORS: amounts falling due within one year

	1999 £000	1998 £000
Trade creditors	301	448
Amounts owed to Group Undertakings	475	776
Corporation tax	-	205
Other taxes and social security costs	114	108
Accruals and deferred income	1,071	618
Payments received on account	323	955
Inter company creditor – group relief	96	-
	<hr/> 2,380	<hr/> 3,110

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

	1999 £000	1998 £000
Amounts owed to Group Undertakings	428	-
	<hr/> 428	<hr/> -

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

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty provisions £000
At 1 April 1998	94
Charge in year	82
Utilised	(23)
At 31 March 1999	153
Analysed as follows:	
Amounts due within one year	153
	153

The Company has an unrecognised deferred tax asset amounting to £15,930 (1998 £6,184). This comprises fixed asset timing differences of £14,286 (1998 £27,365) offset by other timing differences of £30,216 (1998 £33,549).

16. SHARE CAPITAL

	1999 £000	1998 £000
Authorised, allotted, called up and fully paid: 2 million ordinary shares of £1 each	2,000	2,000

17. RESERVES

	Profit and loss account £000
At 1 April 1998	1,300
Retained profit for the year	188
At 31 March 1999	1,488

NOTES TO THE ACCOUNTS (continued)

at 31 March 1999

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £000	1998 £000
Profit for the financial year	188	381
Net addition to shareholders' funds	188	381
Opening shareholders' funds	3,300	2,919
Closing shareholders' funds	3,488	3,300

19. CONTINGENT LIABILITIES

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

	1999 £000	1998 £000
Operating leases which expire:		
within one year		
other	3	3
in two to five years		
other	43	38
	46	41

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.